

ZAIBATSU: A STUDY OF JAPANESE  
COMBINES YESTERDAY AND TODAY

by

Edwin Neil Smellow



ZAIBATSU: A STUDY OF JAPANESE  
COMBINES YESTERDAY AND TODAY

BY

Edwin Neil Smellow

Bachelor of Arts

Antioch College, 1958

A Thesis Submitted to the School of Government and  
Business Administration of The George Washington  
University in Partial Fulfillment of the  
Requirements for the Degree of Master  
of Business Administration

March, 1970

Thesis directed by

Harold Charles Demoady, M.B.A.

Associate Professor of Business Administration





# TABLE OF CONTENTS

LIST OF TABLES . . . . .	Page iv
LIST OF CHARTS . . . . .	vi
Chapter	
I. INTRODUCTION. . . . .	1
Objective	
Scope	
Organization and Mechanical Details	
II. ZAIBATSU--A CONCEPTUAL FRAMEWORK. . . . .	6
Organization and Structure of Zaibatsu Companies	
Zaibatsu Economic Patterns	
III. ZAIBATSU EVOLUTION AND DEVELOPMENT. . . . .	35
Introduction	
Historical Perspective--The Tokugawa Era (1600-1868)	
Mitsui	
Sumitomo	
Historical Perspective--The Meiji Era (1868-1912)	
Historical Perspective--The Liberal Era (1914-1931)	
Historical Perspective--The Era of Militarism (1932-1945)	
IV. THE OCCUPATION ERA (1945-1952). . . . .	70
Introduction	
Background	
Occupation Economic Policies	
Zaibatsu Dissolution	
Personnel Purge	
Major Legislation	
The Antimonopoly Law	
Deconcentration Law	
American Policy Reorientation	



Chapter	Page
V. THE CHANGING FACE OF JAPAN (1952-1969). . . . .	99
Introduction	
Economic Perspective	
The Political-Economic Structure	
and Legislation	
Management Personnel	
General Patterns of Stock Ownership	
The Trend Toward Increasing	
Oligopoly	
The Structure of Selected Prewar	
Zaitatsu Groups	
Intra-Group Relations and	
Interlocking Directorates	
VI. CONCLUSION. . . . .	131
APPENDIXES	
I. GLOSSARY OF JAPANESE TERMS. . . . .	136
II. THE SUBSTANTIVE PORTIONS OF THE	
ANTIMONOPOLY LAW. . . . .	138
III. FACTORS WITHIN THE DECONCENTRATION	
LAW TO BE USED FOR DETERMINATION OF	
EXCESSIVE CONCENTRATIONS. . . . .	140
BIBLIOGRAPHY . . . . .	141



# LIST OF CHARTS

Chart	Page
I. The Mitsui Interests . . . . .	14
II. Mitsubishi Interests . . . . .	15
III. Sumitomo Interests . . . . .	16
IV. The Yasuda Interests . . . . .	17
V. Intercorporate Relations in the Combine Sector of Japan's Aluminum Industry. . . . .	34
VI. The House of Mitsui During the Tokugawa Era . . . . .	41
VII. Market Control by the Zaibatsu in Terms of Paid-up Capital . . . . .	67
VIII. Index Numbers of Industrial Production Selected Countries . . . . .	101
IX. Growth of Real GNP 1958-67 . . . . .	103



# LIST OF TABLES

Table	Page
1. Zaibatsu Combines . . . . .	11
2. Zaibatsu Family Ownership Patterns (1946) . . . .	14
3. Summary of Interlocks Between Officers of First-Line Subsidiaries and Officers of the Top Holding Company in the Mitsui, Mitsubishi and Sumitomo Combines, 1945. . . . .	21
4. Loans Made by Four Zaibatsu Banks in 1944 . . . .	23
5. The Role of the Zaibatsu in Japan's Economy (1937-1941-1946). . . . .	28
6. Position of the Top Firm, Top Three Firms and Top Five Firms in Selected Markets, 1937, 1949 . . . . .	29
7. Market Concentration Ratios by Combine by Subsidiary, 1943-1944. . . . .	31
8. Japanese Industrial Dualism, 1920, 1930, 1939. . . . .	50
9. Branch Operations of Selected Zaibatsu in the Greater East Asia Territories. . . . .	57
10. Index of Physical Volume of Industrial Production. . . . .	59
11. National Policy Companies . . . . .	61
12. Japanese Military Expenditures, 1930-1941 . . . .	64
13. HCLC Actions on Designated Companies. . . . .	80
14. HCLC Securities Disposal. . . . .	80
15. Securities Distributed by the Securities Coordinating and Liquidation Commission . . . .	82
16. Economic Purge Results under SCAPIN . . . . .	84





Table	Page
17. Purge Results under Law No. 2 of 1948 . . . . .	85
18. Deconcentration Action under Law No. 207. . . . .	90
19. Summary of Deconcentration Actions during the Occupation Period. . . . .	96
20. Index Numbers of Industrial Production. . . . .	98
21. Quantum Index Numbers of Japan. . . . .	102
22. Wages and Expenditure of Urban Workers. . . . .	107
23. Number of Cartels . . . . .	109
24. Number of Cartels by Legal Basis. . . . .	109
25. Number of Mergers, 1956-65. . . . .	110
26. Distribution of Shares by type of Shareholder in Percentage Terms . . . . .	115
27. Number of Individuals Owning More than 100 Shares. . . . .	116
28. Index of Market Share of Top Three and Top Ten Enterprises . . . . .	117
29. The Largest Shareholders of Hitachi, Yawata, and Fuji (1961) . . . . .	119
30. Number of Firms Joining or Leaving Financial Groups (1967) . . . . .	121
31. Stock Ownership Patterns of the Mitsubishi, Mitsui and Sumitomo Groups. . . . .	122
32. Comparison of All Loans Made by Main Pre-War Zaibatsu Banks in 1944, 1958, 1967. . . . .	126
33. Interlocking Directorates Among the Core Companies of the Mitsubishi, Mitsui, and Sumitomo Groupings (1959 Data). . . . .	128



## CHAPTER I

### INTRODUCTION

#### Objective

Since the end of the Allied occupation in April, 1952, Japan has grown economically to take a current position as the world's third largest producer (the U. S., Soviet Union and Japan, in that order). Its continuous real economic growth rate of 10.1 percent (since 1954) is unparalleled in history and the implications of this, and other factors, make Japan not only a formidable economic competitor, but a powerful political and social force in Asia now with an even more powerful potential for the future. The objective of this study, then, is to examine one of the salient economic factors which has materially contributed to Japan's becoming such a dynamic and competitive nation, i.e., the major business groups.

Historically, overwhelming predominance in finance, industry and trade was held by four huge business groupings: Mitsui, Mitsubishi, Sumitomo and Uasuda. These and other groups not nearly as large or as powerful, were known collectively and individually by the Japanese term "zaibatsu." The importance of these organizations to Japan as a whole was succinctly expressed by the four-time prime minister, Yoshida



Shigeru, who, shortly after the start of the occupation, said that "the nation's economic structure had been built by such old established and major financial concerns . . . , and that modern Japan owed her prosperity to their endeavors."<sup>1</sup> Based upon the same pattern of thought that Yoshida verbalized, the political-economic experts of the Allied powers generally felt that the zaibatsu were largely responsible for Japan's aggression and, as a result, occupation authorities were directed to dissolve them. However, despite dissolution efforts, these major groupings, by name, still exist today.

Thus, given a background of the tremendous influence of the big business concerns, the research question to be answered is, "Is the zaibatsu system, per se, still operative in Japan, and, if not, what has replaced it?" In formulating an answer, other questions which have materialized are:

(1) What, in reality, is the zaibatsu, how did it develop, and what are its salient organizational and financial features?

(2) What are the social, political and economic conditions and philosophies both before and after the occupation which affected the zaibatsu?

It is hoped that the answers to these questions through the study of the zaibatsu with their interrelated economic, political and social relationships, will assist in gaining a better understanding of the nature and significance of large Japanese business groups both in the historical and the current sense.

---

<sup>1</sup>The quotation has been extracted from the text of Yoshida's entire statement as presented in Eleanor M. Hadley, Antitrust in Japan (Princeton, N. J.: Princeton University Press, 1969), p. 43.



### Scope

The scope of research for this thesis has been limited by several factors. First, due to the author's inability to read either Japanese ideographic script (kanji) or the two current syllabaries (katakana and hiragana), source data has been necessarily reduced to those publications in English or to translations of Japanese works by other persons. By this restriction, much valuable information may have been lost although a rather extensive bibliography in English has been developed.

The second major limitation to the scope of this thesis is the inconsistency found in Japanese financial data. For many years, Japanese business concerns were either not interested or only mildly interested in releasing financial information. Not until the late 1950s or early 1960s were data published where comparisons could be drawn with Western businesses. However, in that the Japanese still do not subscribe to full disclosure and other accounting conventions familiar to the United States, the majority of this recently published material must be viewed as suspect by our standards. Since a comparative analysis of derived figures was not possible, Japanese financial and other data, as presented by various sources, has been accepted without dispute. Where it is important, however, sources and/or conflicts in information have been fully annotated.





### Organization and Mechanical Details

In the writing of this study, the Japanese practice of giving the family name first has been observed where the names appear in the text. References to authors both in the footnotes and in the bibliography have followed the standard Western technique of family name last. In addition, because so many Japanese terms and organizational names have been used, a glossary of these has been added as Appendix I to facilitate identification.

The thesis has been organized in a fashion to permit a topical approach within a chronological framework. An attempt has been made to maintain historical perspective throughout all the chapters.

As a basis for understanding the managerial philosophy of large Japanese business groups and to provide a conceptual framework from which to expand, Chapter II examines the special ownership, financial and structural characteristics of those organizations known as zaibatsu.

The third and fourth chapters detail the historical evolution of both major and minor zaibatsu from inception in the early seventeenth century through dissolution subsequent to World War II. The primary purpose of these chapters is to follow the progress of zaibatsu groupings through periods of internal and external maturation and to study, in some detail, their relationship to Japanese political and economic dynamics.



Because the Allied conception of these relationships shaped occupation policy, much emphasis will be placed on actual zaibatsu involvement with the military-political complex during the 1930s and the war years. The enactment of programs to democratize the public and private sectors is studied with a view toward the development of a new framework for the economy and for the emergence of Japan as a world economic power.

The years following the termination of the occupation brought forth a new Japan with a viable and modern economy. In conjunction with the expanding economy came changes in the large business groups and the dynamics of these changes, as well as their relationship to the older zaibatsu organization and control techniques, are examined closely in Chapter V. Based upon the facts thereby presented, Chapter VI draws a conclusion as to the lasting effects of the occupation reform programs in terms of both the existence of the zaibatsu today and large business groups of the future.



## CHAPTER II

### ZAIBATSU--A CONCEPTUAL FRAMEWORK

Justice Holmes once observed:

A word is not crystal, transparent and unchanged. It is the skin of a living thought and may vary greatly in color and content according to the circumstances and the time in which it is used.<sup>1</sup>

The term "zaibatsu" takes this form in that it means different things to different people, at different times within Japan as well as among authorities outside the country. A discussion of the term's various definitions is necessary in order to establish some reference point from which to examine the significance of the "zaibatsu."

The most simplistic view of zaibatsu is found in a dictionary where it is defined as "a financial combine-group; a money (=financial) clique; big business; the plutocracy; a giant family trust; a family holding company; a big business-man."<sup>2</sup> Etymologically, the word is a derivation of zai (money--wealth; riches--a fortune; assets--property) and batsu (a clique; a faction; a clan).<sup>3</sup> In common Japanese usage,

---

<sup>1</sup>Towne v. Eisner, 215 U.S. 418 (1917).

<sup>2</sup>Senkichi Katsumata, ed., Kenkyusha's New Japanese-English Dictionary (Tokyo: Kenkyusha Ltd., 1954), p. 2043.

<sup>3</sup>Ibid., p. 2043 and p. 76.



zaibatsu has become both a collective noun used as a "virtual synonym for a group of combines"<sup>1</sup> and a term to identify an individual combine as well.<sup>2</sup>

Whereas the above definitions provide some insight as to the general meaning of zaibatsu, they have not developed its special characteristics and it is within this area that, perhaps, the greatest semantic difficulty occurs. One popular school of thought is that a member of the zaibatsu must be imbued with the following:

(1) Semifeudal characteristics in that centralized control rests in a . . . family which extends its power through strategically arranged marriages and other knight-vassal (dedication) relationships.

(2) Well-knit, tightly controlled relationships among affiliated firms by means of holding companies, interlocking directorships, and mutual stockholdings.

(3) Extremely large financial power in the form of commercial bank credit, which is used as the central leverage to extend control in all industries.<sup>3</sup>

On the other hand, some authors equate zaibatsu to "a lay term referring to the political power deriving from great wealth."<sup>4</sup> This definition falls into line with similar Japanese terms such as kambatsu (official clique or bureaucracy) and gumbatsu (military clique or militarists)<sup>5</sup> both of

---

<sup>1</sup>Eleanor M. Hadley, "Concentrated Business Power in Japan," (unpublished Ph. D. dissertation, Radcliffe College, 1949), p. 3.

<sup>2</sup>Ibid.

<sup>3</sup>Kozo Yamamura, Economic Policy in Postwar Japan (Berkeley: University of California Press, 1967), pp. 110-111.

<sup>4</sup>Hadley, Business Power, p. 3.

<sup>5</sup>T. A. Bisson, Zaibatsu Dissolution in Japan (Berkeley: University of California Press, 1954), p. 1.





which are politically oriented terminology.

By use of these perimeters, it is not necessary to include family management as an essential concept. It is, however, necessary to trace the pattern emerging from the generalized term "great wealth" to the specific type of enterprise "combines" as opposed to other types of business organizations such as trusts, cartels, etc. The rationale developed for this equation is derived from the fact that since wealth is a product of concentrated business, and the mechanism of the combine was consistently used by the Japanese for this purpose, the term "zaibatsu" has indirectly come into use to describe combines.<sup>1</sup>

The theory of the involvement and power of large Japanese business groups in the political sector has been supported by many authors. G. C. Allen, speaking of the period prior to the Sino-Japanese War of 1937, stated:

. . . The advocates of junsen<sup>2</sup> strengthened their position. Moreover, the immense expenditure on armaments and the fostering of industries of strategic importance led to the rise of powerful business groups whose fortunes were bound up with the continuance of these policies. These groups were referred to as the "New Zaibatsu."<sup>3</sup>

This concept of ties between large Japanese business groups and the political structure has even been extended to the local

<sup>1</sup>Hadley, Business Power, p. 3.

<sup>2</sup>A contraction of junsenji keizai which is defined as a quasi-wartime economy.

<sup>3</sup>George C. Allen, Japanese Industry: Its Recent Development and Present Condition (New York: Institute of Pacific Relations, 1940), p. 16.



level. In his study of the Ohara zaibatsu in Okayama Prefecture, James A. Kokoris stated that within the Prefecture "elections to the Diet were influenced by Ohara and his supporters."<sup>1</sup>

The face of zaibatsu then is like that of a diamond; it has many facets which require that a point of focus be found that ties the various concepts together. In research so far conducted, there appears to be only one point of universal agreement or consensus among all authors. It is that the Mitsui, Mitsubishi, Sumitomo and Yasuda combines were, in fact, zaibatsu.

Subsequent to this point of agreement the definition has become diffused as witnessed by the following:

But in Japanese usage, not all combines are zaibatsu. In the vocabulary of many Japanese, only family-dominated combines are zaibatsu, though frequently such persons do not consistently abide by their own usage. The members of the (Japanese) Holding Company Liquidation Commission . . . maintained this view (that of family domination) but then proceeded to name Nissan as one of the ten designated zaibatsu . . . even though Nissan at no point had been family dominated.<sup>2</sup>

The decision then as to which businesses can enjoy the term zaibatsu is largely arbitrary. Because of common conceptual agreement, scope of operations, explicit political power patterns, efficient/effective control mechanisms and similarities to other combine structures, Mitsui, Mitsubishi, Sumitomo and Yasuda will, for the purposes of this thesis, be considered as

---

<sup>1</sup>James A. Kokoris, "The Ohara Zaibatsu of Okayama," in The Occasional Papers (No. 8) of the Center for Japanese Studies, ed. by Richard K. Beardsley (Ann Arbor: The University of Michigan Press, 1964), p. 53.

<sup>2</sup>Hadley, Antitrust, pp. 20-21.



exemplifying the zaibatsu although they are not, by any means, the only groups that constituted zaibatsu concentrations. To illustrate this point, although incomplete, Table 1 details business groups that were commonly referred to as zaibatsu through a period subsequent to World War II.

### Organization and Structure of Zaibatsu Companies

As was previously mentioned, zaibatsu companies were primarily organized along the lines of a combine (a grouping of companies with a single or limited ownership base and a unified business strategy), but certain unique characteristics differentiated these from the generally accepted Western version of such a structure. At the top of the combine, there was a honsha (head company) or honzensha (family company as in the case of Yasuda) which might be internally organized as a partnership or as a limited liability company, but which was dominated by the founding family. Externally the honsha was a holding company whose existence was derived from the control of other companies.

The capital of the honsha was subscribed by the founding family, which also maintained interests (either controlling or non-controlling) in selected subsidiaries. The major subsidiaries took various forms; some were straight industrial organizations (either with or without limited investments) while others were holding companies themselves. These subsidiary holding companies were broken down into two basic



TABLE 1  
ZAIBATSU COMBINES

Old (Principal)		
Name	Families	Persons <sup>a</sup>
Mitsui	11	11
Mitsubishi	2 <sup>b</sup>	11
Sumitomo	1	4
Yasuda	1	10

Lesser	
Name	Persons <sup>a</sup>
Asano	4
Furukawa	1
Kawasaki	
Matsushita	
Nakagawa <sup>c</sup>	1
Normura	4
Okechi (Riken)	
Okura	4
Shibusawa	

Shinryo (New)	
Name	Persons <sup>a</sup>
Nakajima (Fujf. Indus)	5
Nissan (Aikawa.)	1
Nisso	
Nitchitsu	
Mori	

Unable to Classify	
Name	
Ishihara	
Iwai	
Kuhara	
Ohara	

<sup>a</sup>Zaibatsu persons as designated by the HCLC for divestiture of stock and working restrictions (see Chapter IV).

<sup>b</sup>Iwasaki Families.

<sup>c</sup>Actually in the Furukawa family circle by marriage, but listed separately by the HCLC.

Source: Combined by the writer from all appropriate sources as noted in the Bibliography.





types: first, the "pure" variety which was non-operating in that it was organized solely for the purpose of investing capital in the stocks of other companies and by doing so, either directly or indirectly, controlled these organizations; second, the "mixed" type which was itself an operating company.<sup>1</sup> Thus, a chain style financial complex was developed where families had controlling amounts of stock in the honsha, who in turn held large blocks of stocks in subsidiaries to which were added the direct stock holdings by the families, as well as "cross ownership holdings between subsidiaries."<sup>2</sup> Indicative of this type of control pattern was the information submitted by the Mitsui combine to the Supreme Commander for the Allied Forces (hereafter known as SCAP) in 1946 as shown below:

<u>Description</u>	<u>Number of Companies</u>
Top holding company	1
Designated subsidiaries ("first line" and "second line") of the top holding company.	22
Subsidiaries of the designated subsidiaries except Trading & Mining	81
Subsidiaries of Mitsui Trading	60
Subsidiaries of Mitsui Mining	31

<sup>1</sup>Definitions of "pure" and "mixed" holding companies were derived from the Encyclopedic Dictionary of Business (New York: Prentice-Hall, Inc., 1952), p. 300.

<sup>2</sup>Hadley, Antitrust, p. 28.



<u>Description</u>	<u>Number of Companies</u>
Ordinary subsidiaries of the top holding company	50
Subsidiaries of the ordinary subsidiaries of the top holding company	<u>27</u>
Total	272

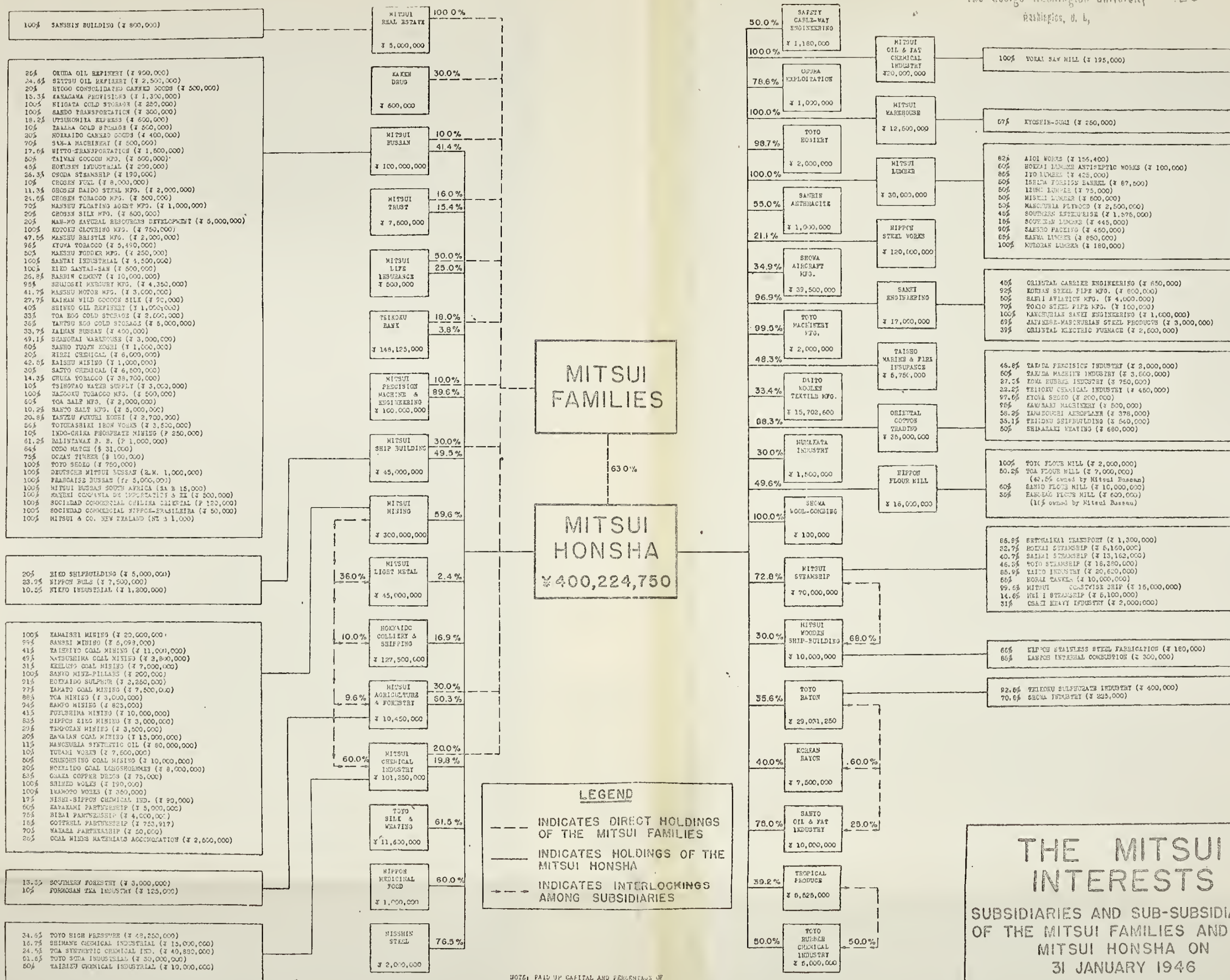
Charts I, II, III and IV illustrate the entire organizational structure and internal financial ties of the Mitsui, Mitsubishi, Sumitomo, and Yasuda zaibatsu, respectively, in 1946.

Although shares in various honsha were offered for public sale, the ownership base was not widely distributed beyond the family and the companies it controlled (Table 2). Outside owners were mainly top executive personnel of the zaibatsu, some high echelon government officials, and members of the imperial household.

Decisions concerning business policy were made in family councils, and the honsha dictated these policies to the subsidiaries. Family councils also appointed key honsha personnel, and strong kinship ties (although some of them were ceremonial and fictitious) more than stock ownership, kept the combine a tightly unified organization. Due to traditional Japanese concepts of superior-inferior relationships within the social framework and kazoku seido (family system), the family demanded and received loyalty and obligation throughout the complex hierarchy of the combine which served as a primary







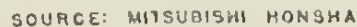
NOTE: PAID UP CAPITAL AND PERCENTAGE OF SHARE HELD BY THE MITSUI FAMILIES OR DIRECTLY BY THE MITSUI FAMILIES ARE SHOWN FOR EACH COMPANY

SOURCE: MITSUI HONSHA





0.0	\$	ARMED FARM CO. (\$ 300,000)
3.00	\$	TOTAL AGRICULTURE (\$ 6,000,000)
		THE FARM AGRICULTURE CO. HAS INVESTMENTS
		IN TWENTY-FOUR COMPANIES NOT LISTED)
5.57	\$	NITZBERGER PAPERMILLS (\$ 10,798,000)
		(THE NITZBERGER PAPERMILLS HAS INVESTMENTS
		IN TWENTY-TWO COMPANIES NOT LISTED)







# SUMITOMO INTERESTS

## SUMITOMO FAMILIES

SUMITOMO HONSHA  
¥300,000,000

50% JINSHI FLUORITE MINING (¥2,000,000)  
50% NORTH CHINA GOLD MINING (¥1,700,000)  
22% TOI MINING (¥2,600,000)  
25% DAI-NIPPON MINING CO. (¥5,000,000)  
22% TEIKOKU COMPRESSED GAS (¥\*)  
5% TEIKOKU SPECIAL STEEL (¥25,000,000)  
4% MANCHURIAN LIGHT METAL ALLOY INDUSTRY (¥54,000,000)  
25% SUMITOMO METAL INDUSTRIES OF MANCHURIA (¥30,000,000)  
1% NIPPON MUSIC INSTRUMENT MFG. (¥30,000,000)  
12% ORIENTAL NITROGEN INDUSTRIAL (¥\*)

20% ANTONO OXYGEN INDUSTRIES, LTD. (¥\*)  
57% ICHIJIMA-GUMI CO., LTD. (¥\*)  
12% NIPPON TRANSPORTATION CO., LTD. (¥\*)  
17% NIPPON WAREHOUSE CONTROL CO., LTD. (¥\*)  
30% SPECIAL GLASS & OPTICAL INSTRUMENTS (¥500,000)  
60% NIPPON IRON WORKS, LTD. (¥300,000)  
80% NIPPON GLASS FIBRE CO., LTD. (¥\*)  
12% ISOLITE INDUSTRIAL CO., LTD.  
6% SUMITOMO BANK (¥73,675,000)  
20% NISSAN POTTERY INDUSTRIAL (¥\*)  
5% ANTONO LIGHT METAL (¥200,000,000)  
9% SUMITOMO CO-OPERATIVE ELECTRIC POWER (¥20,000,000)  
12% CHOSSEN SUMITOMO LIGHT METAL (¥80,000,000)  
2% NIPPON AIRCRAFT CARRIER (¥30,000,000)  
2% NIPPON MUSIC INSTRUMENT (¥30,000,000)  
20% NISSAN ELECTRIC APPARATUS (¥3,000,000)  
10% TEIKOKU SPECIAL STEEL MFG. (¥25,000,000)  
7% TOYO COMMUNICATION APPARATUS (¥12,000,000)  
6% NIPPON COMMUNICATION INDUSTRIES (¥10,000,000)  
10% TOKAI RUBBER INDUSTRY (¥5,000,000)  
4% RIKKEN METAL INDUSTRIES (¥14,800,000)  
4% ASAKA METAL INDUSTRIES (¥50,000,000)  
3% KYUSHU AIRCRAFT MANUFACTURING (¥30,000,000)  
3% KYUSHU ARMS MANUFACTURING (¥12,000,000)  
3% NITTO METAL INDUSTRIAL CO. (¥8,000,000)  
1% SUMITOMO BANK (¥73,675,000)  
2% SUMITOMO ALUMINUM PRODUCTION (¥20,000,000)  
2% SUMITOMO MACHINERY WORKS (¥40,000,000)  
2% SUMITOMO CHEMICAL CO. (¥110,000,000)  
1% SUMITOMO ELECTRIC INDUSTRIES (¥170,000,000)  
2% SUMITOMO COMMUNICATIONS INDUSTRY (¥150,000,000)  
1% SUMITOMO METAL INDUSTRIES (¥418,750,000)  
6% SUMITOMO WAREHOUSE (¥15,000,000)  
2% SUMITOMO CO-OPERATIVE ELECTRIC POWER (¥20,000,000)  
1% SUMITOMO TRUST (¥20,000,000)  
10% NIPPON AERIAL ELECTRIC INSTRUMENTS (¥10,000,000)  
10% TOHOKU METAL INDUSTRIES (¥10,000,000)  
40% KOREAN SCALE SHAPE BLACK LEAD MFG. (¥2,500,000)  
15% ANTONO LIGHT METAL (¥200,000,000)  
15% SUMITOMO REAL ESTATE & BLDG. (¥41,500,000)  
1% SUMITOMO MINING (¥80,000,000)  
21% SUMITOMO MACHINERY WORKS (¥40,000,000)  
10% CHOSSEN SUMITOMO LIGHT METAL (¥80,000,000)  
33% SUMITOMO SYNTHETIC RESIN (¥20,000,000)  
25% SUMITOMO ALUMINUM REDUCTION (¥20,000,000)  
54% SUMITOMO METAL INDUSTRIES OF MANCHURIA, LTD. (¥30,000,000)  
50% KOREAN SUMITOMO STEEL WORKS, LTD. (¥6,000,000)  
88% ALUMINUM SUMITOMO, LTD. (¥4,500,000)  
42% MANCHURIAN LIGHT METAL ALLOY IND. CO., LTD. (¥54,000,000)  
37% MANCHURIAN STEEL TUBE INDUSTRIAL CO., LTD. (¥2,500,000)  
50% ASHIKAGI LINE-STEEL WORKS CO., LTD.  
41% SAKAKI METAL INDUSTRIES, LTD. (¥3,000,000)  
10% RIKKEN METAL INDUSTRIES, LTD. (¥14,800,000)  
20% OSAKA METAL INDUSTRIES, LTD. (¥50,000,000)  
100% KASHIWARA SPINNING CO., LTD. (¥1,800,000)  
41% TACHIBANA AIRCRAFT MFG. CO., LTD. (¥12,000,000)  
49% SEIWA PRECISION INSTRUMENTS MFG. CO., LTD. (¥4,000,000)  
57% OTSUKA IRON WORKS LTD. (¥\*)  
30% KEISUKE MACHINE TOOL MFG. CO., LTD. (¥5,000,000)  
43% KYUSHU AIRCRAFT MFG. CO., LTD. (¥30,000,000)  
42% KYUSHU ARMS MFG. CO., LTD. (¥12,000,000)  
17% TEIKOKU SPECIAL STEEL MFG. CO., LTD. (¥25,000,000)  
100% SUMITOMO SPECIAL STEEL MFG. CO., LTD. (¥20,000,000)  
14% TEIKOKU COMPRESSED GAS CO., LTD. (¥\*)  
100% OSAKA MACHINE TOOL INDUSTRIAL CO., LTD. (¥1,000,000)  
37% NITTO METAL INDUSTRIAL CO., LTD. (¥8,000,000)  
42% KANSAI LIGHT METAL REFINERIES IND., LTD. (¥6,000,000)  
100% ICHI PAPER MFG. CO., LTD. (¥\*)  
16% CENTRAL ELECTRIC INDUSTRIES, LTD. (¥4,000,000)  
30% TOKYO FIRE FORTING WORKS CO., LTD. (¥5,200,000)  
20% AMAMURA MINING CO., LTD. (¥6,000,000)  
60% NIPPON PIPE MFG. CO., LTD. (¥14,000,000)  
26% MATSUDA METAL INDUSTRIES, LTD. (¥800,000)  
50% TAKAYAMA MINING CO., LTD. (¥600,000)  
94% TAKAGI WIRE BRICK MFG. CO. (¥120,000)  
100% NIPPON SPECIAL STEEL ELECTRO-PLATING CO., LTD. (¥\*)  
60% TOCHI MINING CO., LTD. (¥250,000)  
100% HANNA SILICA MINING CO., LTD. (¥150,000)  
50% AMAGASAKI ICE MFG. & REFRIGERATION CO. LTD. (¥195,000)  
40% NIPPON MUSIC INSTRUMENTS MFG. CO., LTD. (¥30,000,000)  
15% TOYO FIRE MACHINERY WORKS LTD., (¥3,000,000)  
10% TEIKOKU MANUFACTURING CO., LTD. (¥5,000,000)  
15% NIPPON AIRCRAFT CO., LTD. (¥30,000,000)  
10% MANCHURIAN CARS MFG. CO., LTD. (¥\*)  
15% YAMAYAMA TRUCK CO., LTD. (¥10,000,000)  
15% SEIGA SALT MFG. CO., LTD. (¥\*)  
10% IONTA JON (¥\*)  
10% NITAMU CUPPER ROLLING WORKS, LTD. (¥\*)  
10% MAIZUMU DEVELOPMENT CO., LTD. (¥\*)  
12% KANSAI LIGHT METAL HOLDING CO., LTD. (¥\*)  
2% IONTA CHEMICAL FOODSTUFFS CO., LTD. (¥\*)  
60% KURE LAND TRANSPORTATION CO., LTD. (¥\*)  
84% MATSUDA FIRE BRICK MFG. CO., LTD. (¥450,000)  
11% ROLLING METALS DIST. & RET. CONTROL, LTD. (¥7,000,000)

ANTONO LIGHT METAL CO., LTD. 10%  
¥200,000,000  
SUMITOMO WAREHOUSE CO., LTD. 21%  
(38%)  
¥15,000,000  
NIPPON SHEET GLASS CO., LTD. 19%  
(4%)  
¥12,250,000  
SUMITOMO REAL ESTATE BUILDING CO., LTD. 28%  
(34%)  
¥41,500,000  
SUMITOMO ALUMINUM REDUCTION CO., LTD. 24%  
(10%)  
¥20,000,000  
SUMITOMO LIFE INSURANCE CO., LTD. 30%  
(70%)  
¥1,500,000  
SUMITOMO METAL INDUSTRIES LTD. 20%  
(4%)  
¥418,750,000  
SUMITOMO ELECTRIC INDUSTRIES LTD. 24%  
(4%)  
¥120,000,000  
SUMITOMO CO-OPERATIVE ELECTRIC POWER CO., LTD. 22%  
(7%)  
¥30,000,000  
IYODAWA ESTABLISHMENT OF ELECTRIC POWER CO., LTD. (¥1,750,000)  
1% SUMITOMO MINING (¥80,000,000)  
3% KANSAI LIGHT METAL HOLDING (¥\*)  
33% SAKAKI METAL INDUSTRIES (¥3,000,000)  
21% KEISUKE MACHINE TOOL MFG. (¥5,500,000)  
2% AMAMURA MINING (¥6,000,000)  
6% TOHOKU METAL INDUSTRIES (¥10,000,000)  
2% SUMITOMO CO-OPERATIVE ELECTRIC POWER (¥20,000,000)  
3% SUMITOMO REAL ESTATE BLDG. (¥41,500,000)  
20% SUMITOMO ELECTRO-PLATING (¥2,500,000)  
9% SUMITOMO COMMUNICATION INDUSTRIES (¥150,000,000)  
1% SUMITOMO MINING (¥80,000,000)  
5% ANTONO LIGHT METAL (¥200,000,000)  
2% SUMITOMO METAL (¥418,750,000)  
5% CHOSSEN SUMITOMO LIGHT METAL (¥80,000,000)  
2% SUMITOMO ALUMINUM REDUCTION (¥20,000,000)

1% SUMITOMO MINING (¥80,000,000)  
3% KANSAI LIGHT METAL HOLDING (¥\*)  
33% SAKAKI METAL INDUSTRIES (¥3,000,000)  
21% KEISUKE MACHINE TOOL MFG. (¥5,500,000)  
2% AMAMURA MINING (¥6,000,000)  
6% TOHOKU METAL INDUSTRIES (¥10,000,000)  
2% SUMITOMO CO-OPERATIVE ELECTRIC POWER (¥20,000,000)  
3% SUMITOMO REAL ESTATE BLDG. (¥41,500,000)  
20% SUMITOMO ELECTRO-PLATING (¥2,500,000)  
9% SUMITOMO COMMUNICATION INDUSTRIES (¥150,000,000)  
1% SUMITOMO MINING (¥80,000,000)  
5% ANTONO LIGHT METAL (¥200,000,000)  
2% SUMITOMO METAL (¥418,750,000)  
5% CHOSSEN SUMITOMO LIGHT METAL (¥80,000,000)  
2% SUMITOMO ALUMINUM REDUCTION (¥20,000,000)

38% IZUMI ELECTRIC WIRE & CABLE CO., LTD. (¥6,000,000)  
32% SEIWA WIRE ROPE MFG. CO., LTD. (¥2,000,000)  
31% NISSAN ELECTRIC APPARATUS CO., LTD. (¥3,000,000)  
55% OSAKA DIAMOND INDUSTRIES, LTD. (¥2,000,000)  
90% OSAKA METAL INDUSTRIES, LTD. (¥5,000,000)  
42% TOKAI RUBBER INDUSTRIES, LTD. (¥5,000,000)  
32% KOGA RUBBER INDUSTRIES, LTD. (¥2,000,000)  
50% SEIWA TOSUAI RUBBER WORKS, LTD. (¥450,000)  
26% MANSU ELECTRIC WIRE CO., LTD. (¥40,000,000)  
25% NORTH CHINA ELECTRIC WIRE CO., LTD. (¥30,000,000)  
18% NIPPON SYNTHETIC CABLE CO., LTD. (¥12,000,000)  
20% SHOGA ELECTRIC WIRE & CABLE CO., LTD. (¥10,000,000)  
38% FUJIKURA ELECTRIC WIRE CO., LTD. (¥25,000,000)  
30% CHIBA ELECTRIC INDUSTRIES, LTD. (¥5,000,000)  
22% CHOSSEN ELECTRIC WIRE CO., LTD. (¥3,000,000)  
15% KURE GRINDING CO., LTD. (¥2,000,000)  
94% NIPPON ELECTRIC WIRE CO., LTD. (¥4,000,000)  
22% SHIOGASAWA CHEMICAL CO., LTD. (¥2,000,000)  
22% ELECTRIC WIRE DISTRIBUTING CONTROL CO., LTD. (¥\*)  
12% NIPPON RAYON POWER CO., LTD. (¥2,000,000)  
12% TOKAI ELECTRIC WIRE CO., LTD. (¥760,000)  
14% TSUDA ELECTRIC WIRE CO., LTD. (¥750,000)  
29% KYOTO FIRE-ARMER INDUSTRIES, LTD. (¥450,000)  
18% TEIKOKU ELECTRIC WIRE CO., LTD.  
19% SUN ELECTRIC WIRE CO., LTD. (¥\*)  
16% FRIENDLY TALK CLUB CO., LTD. (¥\*)  
11% SCIENCE PROMOTION CO., LTD. (¥180,000)

NOTES:  
1. COMPANIES LISTED IN SOLID BOXES ARE SUBSIDIARIES UNDER DIRECT CONTROL OF THE PARENT HOLDING COMPANY OR UNDER CONTROL OF SUBSIDIARIES OF THE PARENT HOLDING COMPANY.  
2. COMPANIES LISTED IN DASH BOXES ARE COMPANIES IN WHICH THE SUMITOMO GROUP OR ITS SUBSIDIARIES HAVE INTERESTS.  
3. SUNS LISTED IN THE SHOWN AUTHORIZED CAPITAL.  
4. PERCENTAGES SHOW THE AMOUNT OF STOCK HELD BY A SUMITOMO CONCERN. PERCENTAGES LISTED IN PARENTSSES INDICATE THE AMOUNT OF STOCK HELD DIRECTLY BY THE SUMITOMO FAMILIES.  
5. CERTAIN PARTICIPANT CROSS HOLDINGS AMONG SUBSIDIARIES ARE NOT SHOWN.  
\* DATA UNAVAILABLE.  
SOURCE: SUMITOMO HONSHA.

60% SUMITOMO ELECTRO-PLATING CO., LTD. (¥2,500,000)  
1% SUMITOMO TRUST CO., LTD. (¥20,000,000)  
17% SUMITOMO SYNTHETIC RESIN CO., LTD. (¥20,000,000)  
10% CHOSSEN SUMITOMO LIGHT METAL CO., LTD. (¥50,000,000)  
17% OSAKA-SUMITOMO MARINE & FIRE INSURANCE CO., LTD. (¥24,000,000)  
86% SUMITOMO MINING CO., LTD. (¥80,000,000)  
17% SUMITOMO CHEMICAL LTD. (¥110,000,000)  
24% SUMITOMO BANK LTD. (¥73,675,000)  
11% SUMITOMO COMMUNICATION INDUSTRIES LTD. (¥150,000,000)  
21% SUMITOMO MACHINERY WORKS, LTD. (¥40,000,000)  
5% SUMITOMO CO-OPERATIVE ELECTRIC POWER (¥20,000,000)  
10% SUMITOMO METAL INDUSTRIES OF MANCHURIA (¥30,000,000)  
42% HASHIRAMA DOCK CO., LTD. (¥1,600,000)  
49% YAMAYAMA PRESS WORKS, LTD. (¥1,000,000)  
66% TOKUSHIMA RUBBER WORKS, LTD. (¥600,000)  
66% OSAKA INDUSTRIAL ISOGRAPH WORKS, LTD. (¥100,000)  
41% NORTH CHINA MACHINERY INDUSTRIAL, LTD. (¥12,000,000)  
16% YAMAYAMA ELECTRIC MACHINERY WORKS, LTD. (¥15,000,000)  
25% MATSUO KEATY INDUSTRIES, LTD. (¥1,500,000)  
12% TEIKOKU COMPRESSED GAS  
11% SCIENCE PROMOTION (¥100,000,000)  
5% AMAMURA MINING (¥6,000,000)  
5% SUMITOMO ELECTRIC INDUSTRIES (¥120,000,000)

42% HASHIRAMA DOCK CO., LTD. (¥1,600,000)  
49% YAMAYAMA PRESS WORKS, LTD. (¥1,000,000)  
66% TOKUSHIMA RUBBER WORKS, LTD. (¥600,000)  
66% OSAKA INDUSTRIAL ISOGRAPH WORKS, LTD. (¥100,000)  
41% NORTH CHINA MACHINERY INDUSTRIAL, LTD. (¥12,000,000)  
16% YAMAYAMA ELECTRIC MACHINERY WORKS, LTD. (¥15,000,000)  
25% MATSUO KEATY INDUSTRIES, LTD. (¥1,500,000)

12% TEIKOKU COMPRESSED GAS  
11% SCIENCE PROMOTION (¥100,000,000)  
5% AMAMURA MINING (¥6,000,000)  
5% SUMITOMO ELECTRIC INDUSTRIES (¥120,000,000)

39% TOROKU METAL INDUSTRIES, LTD. (¥10,000,000)  
37% TOYO COMMUNICATION APPARATUS CO., LTD. (¥15,000,000)  
40% ANRITSU ELECTRIC CO., LTD. (¥10,000,000)  
85% MANSU COMMUNICATION APPARATUS CO., LTD. (¥6,000,000)  
62% NIPPON ELECTRIC CO., LTD. (¥2,500,000)  
25% NICHIDEN ELECTRIC WAVE CO., LTD. (¥195,000)  
53% NIPPON ELECTRIC ARMS CO., LTD. (¥12,000,000)  
46% NIPPON COMMUNICATION INDUSTRIES, LTD. (¥10,000,000)  
25% NIPPON AERIAL ELECTRIC INSTRUMENT CO., LTD. (¥10,000,000)  
25% KITSUNAZAKI WIRELESS MACHINE MFG. CO., LTD. (¥700,000)  
75% ELECTRIC MACHINE INDUSTRIES, LTD. (¥2,000,000)  
52% NIPPON ELECTRIC GLASS CO., LTD. (¥3,000,000)  
56% TEIKOKU CARBON CO., LTD. (¥700,000)  
75% NATIONAL DEFENSE APPARATUS MFG. CO., LTD. (¥400,000)  
67% HOPPO MANUFACTURING CO., LTD. (¥1,000,000)  
69% ANDOR ELECTRIC CO., LTD. (¥2,000,000)  
45% YAMAKOSHI MANUFACTURING CO., LTD. (¥1,000,000)  
96% NICHIDEN INDUSTRIAL CO., LTD. (¥750,000)  
33% NIPPON ELECTRIC TIME RECORDING CO., LTD. (¥160,000)  
15% TEIKOKU COMMUNICATION INDUSTRIES, LTD. (¥16,000,000)  
14% NIPPON TELEPHONE EQUIPMENT CO., LTD. (¥7,500,000)  
30% TOYO TUNGSTEN INDUSTRIES, LTD. (¥1,600,000)  
15% TIKER INDUSTRIES, LTD. (¥1,000,000)  
16% IAIICHI ALUMINUM CO., LTD. (¥1,000,000)  
10% TOKYO PRESSOL RESIN CO., LTD. (¥600,000)  
23% OYAYAMA MANUFACTURE COMMERCIAL WIRELESS CO., LTD. (¥\*)

10% NIPPON INVESTMENT TRUST CO., LTD. (¥\*)  
3% SUMITOMO MINING (¥80,000,000)  
5% SUMITOMO BANK (¥73,675,000)  
1% SUMITOMO ALUMINUM REDUCTION (¥20,000,000)  
1% SUMITOMO MACHINERY WORKS (¥40,000,000)  
1% SUMITOMO CHEMICAL (¥110,000,000)  
1% SUMITOMO ELECTRIC INDUSTRIES (¥170,000,000)  
2% SUMITOMO METAL INDUSTRIES (¥418,750,000)  
6% SUMITOMO CO-OPERATIVE ELECTRIC POWER (¥20,000,000)

100% TOA SYNTHETIC CHEMICAL IND., LTD. (¥\*)  
16% TOHOKU PLYWOOD WORKS, LTD. (¥\*)  
32% NIPPON SYNTHETIC RESIN WORKS, LTD. (¥\*)  
32% NIPPON METAL WELD WORKS, LTD. (¥\*)

33% NISSAN POTTERY INDUSTRIAL CO., LTD. (¥\*)  
26% GENYAN HONSHU PORT CO., LTD. (¥\*)

10% TOA FIRE & MARINE RE-INSURANCE CO., LTD. (¥25,000,000)  
20% NIPPON SALVAGE CO., LTD. (¥7,500,000)

• TOYO COMMUNICATION APPARATUS (¥15,000,000)  
1% ANRITSU ELECTRIC (¥10,000,000)  
3% NIPPON COMMUNICATION INDUSTRY (¥10,000,000)  
3% SUMITOMO MINING (¥80,000,000)  
1% SUMITOMO CO-OPERATIVE ELECTRIC POWER (¥20,000,000)

36% HASHIRAMA DOCK CO. (¥1,600,000)  
8% SAKAKI METAL INDUSTRIAL (¥3,000,000)  
31% SUMITOMO MACHINERY WORKS (¥40,000,000)  
17% SUMITOMO CO-OPERATIVE ELECTRIC POWER (¥20,000,000)

0% JINSHI FLUORITE MINING CO., LTD. (¥2,000,000)  
0% NORTH CHINA GOLD MINING CO., LTD. (¥1,700,000)  
25% TOI MINING CO., LTD. (¥2,600,000)  
30% DAI-NIPPON MINING CO., LTD. (¥5,000,000)  
100% SAKAKI MINING CO., LTD. (¥1,500,000)  
20% KOREAN SCALE-SHAPE BLACK-LEAD MFG. CO., LTD. (¥2,600,000)  
100% KANAYATUJI MINING CO., LTD. (¥3,000,000)  
35% TAIYO MINING CO., LTD. (¥1,000,000)  
100% YUSEI COMMERCIAL CO., LTD. (¥200,000)  
15% MATSUO MINING CO., LTD. (¥10,000,000)  
41% CENTRAL SHIPPING CO., LTD. (¥8,000,000)  
61% SOBIFAKI SHIP BUILDING WORKS, LTD. (¥\*)  
35% HOKKAIDO COLLECTOR ARTICLES CO., LTD. (¥160,000)  
20% OTABU COAL TRANSPORTATION CO., LTD. (¥\*)  
25% NIHONDA SHIPPING CONTROL CO., LTD. (¥\*)  
25% NISSAN COLLECTOR CO., LTD. (¥\*)

40% SUMITOMO RARI CHEMICAL CO., LTD. (¥12,000,000)  
40% SHINTO PAINT CO., LTD. (¥3,750,000)  
67% SPECIAL GLASS & OPTICAL INSTRUMENTS CO., LTD. (¥500,000)  
50% NIPPON CARBIDE INDUSTRY CO., LTD. (¥15,000,000)  
58% MANSU SHINTO PAINT CO., LTD. (¥500,000)  
58% ORIENTAL NITROGEN INDUSTRIAL CO., LTD. (¥\*)  
10% TAIWAN ORGANIC PRODUCT CO., LTD. (¥\*)  
11% NIPPON SULPHURIC & NITRIC ACID CONTROL CO., LTD. (¥\*)

12% TEIKOKU COMPRESSED GAS (¥\*)  
9% CENTRAL SHIPPING (¥5,000,000)  
6% MATSUO MINING (¥10,000,000)  
50% JINSHI FLUORITE MINING (¥2,000,000)  
4% CHIOCHO CHEMICAL (¥2,500,000)

15% SUMITOMO CO-OPERATIVE ELECTRIC POWER (¥20,000,000)  
3% SUMITOMO MACHINERY WORKS (¥40,000,000)  
15% ANTONO LIGHT METAL (¥200,000,000)  
2% SUMITOMO SYNTHETIC RESIN (¥20,000,000)  
10% CHOSSEN SUMITOMO LIGHT METAL (¥80,000,000)  
17% SUMITOMO ALUMINUM REDUCTION (¥20,000,000)

7% SUMITOMO MINING (¥80,000,000)  
33% SUMITOMO WAREHOUSE (¥15,000,000)  
7% SUMITOMO REAL ESTATE & BLDG. (¥41,500,000)  
40% SUMITOMO TRUST (¥20,000,000)  
2% SUMITOMO ALUMINUM REDUCTIONS CO. (¥20,000,000)  
2% SUMITOMO MACHINERY WORKS (¥40,000,000)  
2% SUMITOMO ELECTRIC INDUSTRIES (¥120,000,000)  
6% SUMITOMO METAL INDUSTRIES (¥418,750,000)  
4% NIPPON SHEET GLASS (¥12,250,000)  
3% SUMITOMO CO-OPERATIVE ELECTRIC (¥20,000,000)

99% SAKA MONTRED & SIX LANE, LTD. (¥\*)  
35% MIYE BANK LTD., (¥2,000,000)  
90% SUMITOMO BANK OF SEATTLE (¥\*)  
91% SUMITOMO BANK OF CALIFORNIA (¥\*)  
98% MEXATRO INDUSTRIAL CO., LTD. (¥\*)  
98% SAISHU INDUSTRIAL CO., LTD. (¥\*)  
99% JINSHI FLUORITE MINING CO., LTD. (¥\*)  
94% KINJI METAL AID FAKING CO., LTD. (¥3,320,000)  
100% YAMAYAMA WAREHOUSE CO., LTD. (¥\*)  
90% SUMITOMO BANK OF HAWAII (¥\*)  
20% OSAKA WOLFEK FERTILIZER CO., LTD. (¥\*)  
10% TOA INSURANCE ASSOCIATION, LTD. (¥\*)

The George Washington University  
Washington, D. C.  
HD  
2907  
55





# INDUSTRIAL HOLDINGS

## YASUDA FAMILIES

# BANKING HOLDINGS

### INVESTMENTS

YASUDA HOZENSHA  
¥ 30,000,000

### INVESTMENTS

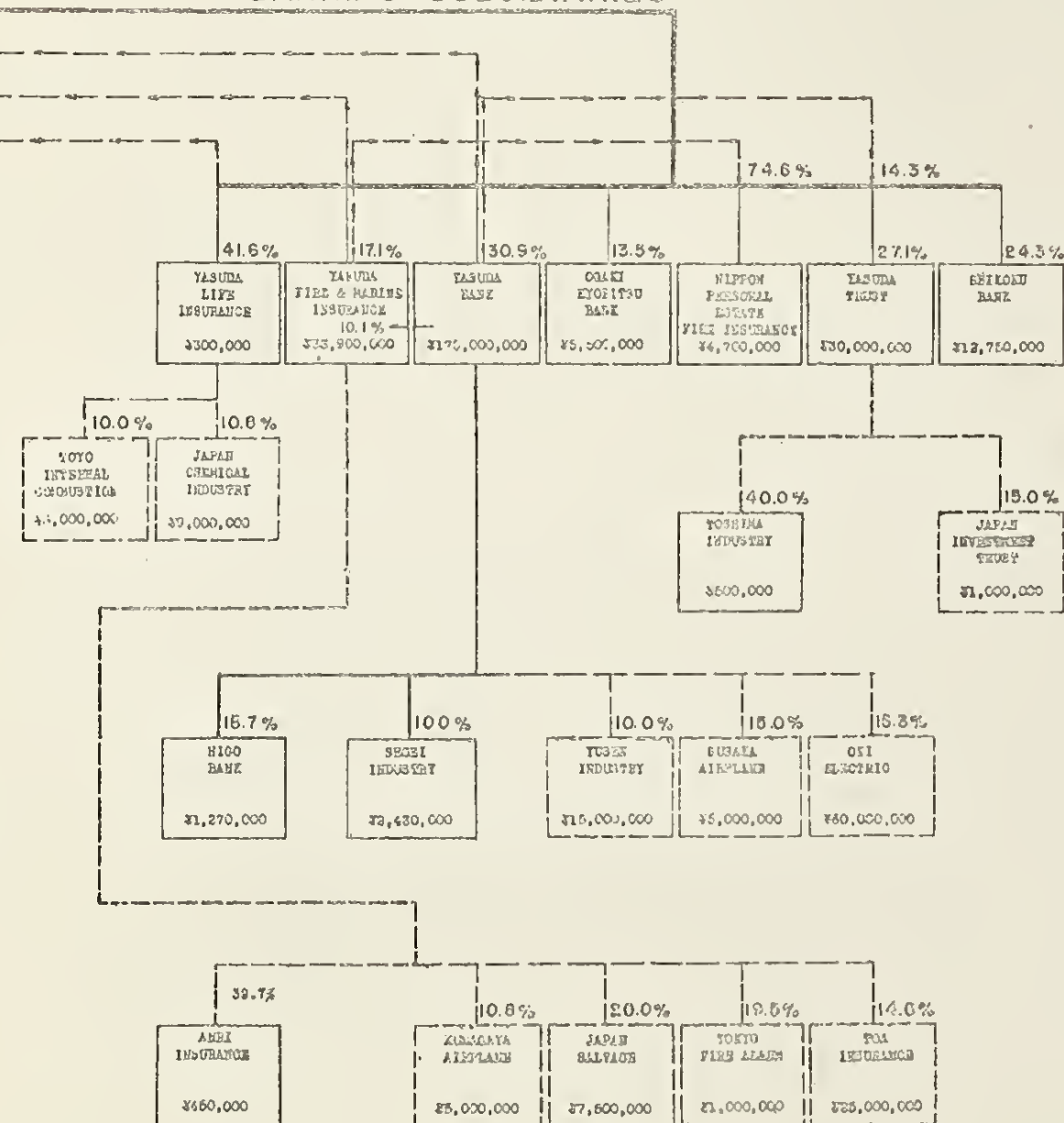
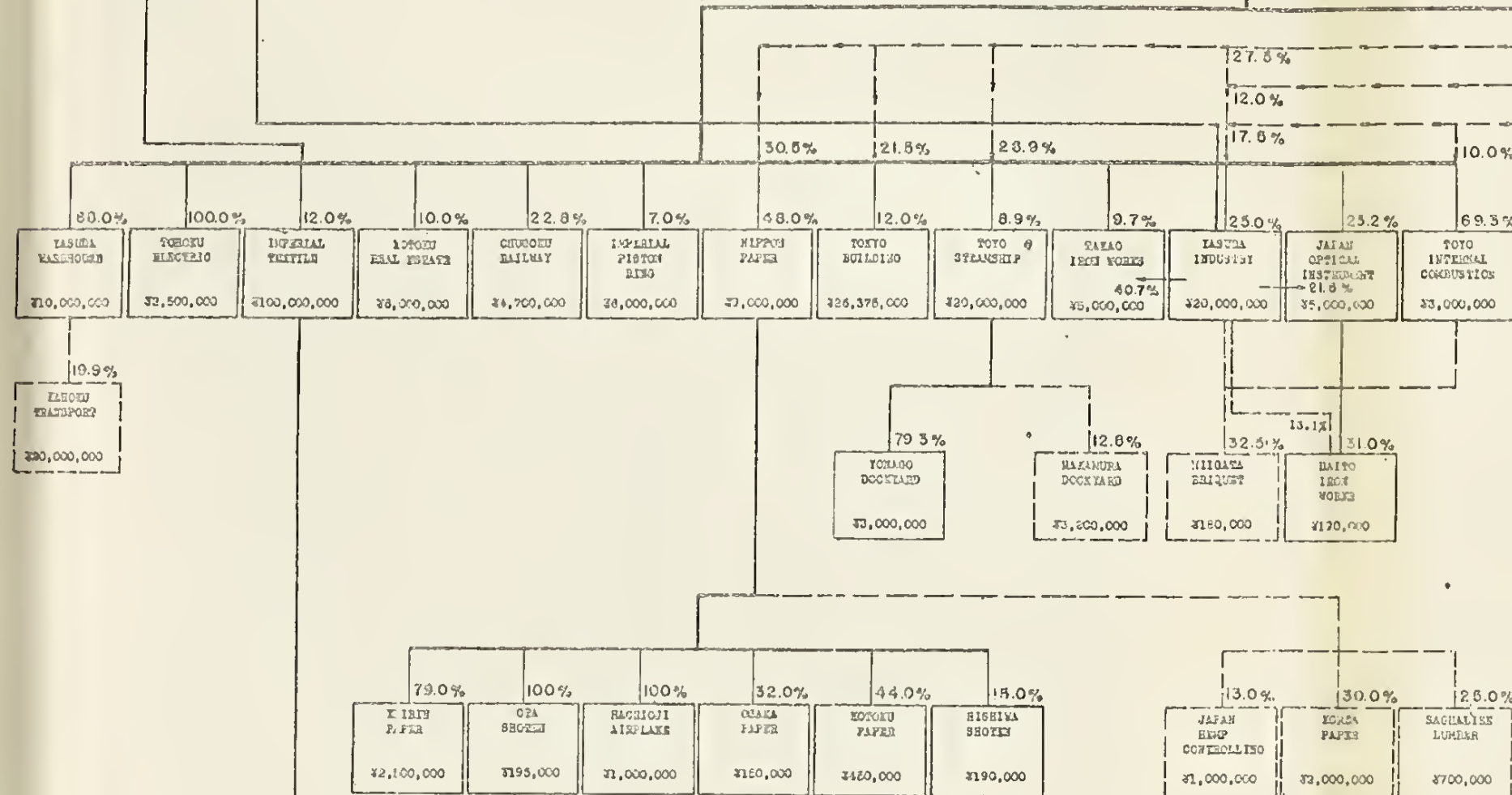
25.0%	10.0%	18.0%	98.1%	12.8%	12.5%	14.7%	30.0%	12.0%
YAMAGUCHI AIR PLANE	JAPAN FUEL	JAPAN CHEMICAL INDUSTRIAL	JAPAN FLDG	TOA HARBOUR WORKS	KYUSHU INDUSTRY	OMI ELECTRIC	OHYU DOCK	AMAZONIA INDUSTRY
¥7,000,000	¥6,000,000	¥9,000,000	¥3,000,000	¥13,500,000	¥8,000,000	¥60,000,000	¥10,000,000	¥1,000,000

22.9%
YUKUBA BANK
¥25,000,000

21.0%
JAPAN SAVING BANK
¥71,017,000

### INDUSTRIAL SUBSIDIARIES

### BANKING SUBSIDIARIES



31.0%	75.0%	51.0%	70.0%	50.0%	45.0%	50.0%	30.0%	50%	51.0%	100%	12.0%	38.0%	21.0%	17.3%	35.0%
YAMAGUCHI HOUSING	YAMAGUCHI TRADING	YAMAGUCHI LUMBER	YAMAGUCHI IRON WORKS	YAMAGUCHI SPINNING	YAMAGUCHI TEXTILE	YAMAGUCHI RAILWAY	YAMAGUCHI JAPAN YIELD	YAMAGUCHI SHINKO CHEMICAL INDUSTRIAL	YAMAGUCHI KINJO HOUSING	YAMAGUCHI TOKYO HOUSING	YAMAGUCHI NIPPON LUMBER	YAMAGUCHI KOKA TEXTILE	YAMAGUCHI KENJI CERAMICS INDUSTRY	YAMAGUCHI KOKA OIL REFINERY	YAMAGUCHI KAWACHI LUMBER
¥195,000	¥100,000	¥195,000	¥300,000	¥1,000,000	¥648,000	¥210,900	¥600,000	¥2,000,000	¥195,000	¥190,000	¥10,000,000	¥1,300,000	¥140,000	¥800,000	¥30,000,000

### LEGEND

- INDICATE DIRECT CONTROL
- INDICATE SHAREHOLDING WITHOUT CONTROL
- INDICATE INTERLOCKING RELATION AMONG MAIN SUBSIDIARIES.

NOTE: FIGURES SHOWN ON TOP OF BOXES GIVE THE PERCENTAGE OF CAPITAL STOCK HELD BY THE PARENT OR SUBSIDIARY COMPANY.  
FIGURES SHOWN ON TOP OF BOXES GIVE THE AUTHORIZED CAPITAL OF THE COMPANY.

SOURCE: YASUDA HOZENSHA.

## THE YASUDA INTERESTS

SUBSIDIARIES, SUB-SUBSIDIARIES AND INVESTMENTS OF THE YASUDA HOZENSHA ON DECEMBER 31 1945

JAPAN

FEBRUARY 46

OHIO SCAP

NUMBER 51



TABLE 2

ZAIBATSU FAMILY OWNERSHIP PATTERNS (1946)  
(% of Stock Held)

Description	Mitsui	Mitsubishi	Sumitomo
Parent company stock held by family	63.8	47.8	83.3
Subsidiary company stock held by family	69.0 (10)	40.5 (11)	37.8 (15)
Semi-subsidiary company stock held by family and parent company	57.5 (12)	32.7 (16)	29.0 (6)

Notes: a. Figures are averages of companies in the same group.

b. Figures in parentheses indicate number of companies.

Source: Iwao Hoshii, Japan's Business Concentration  
(Philadelphia: Orient/West Publishers, 1969), p. 3.



force to link whole constellations of subsidiary firms to the parent organization. Typical of this traditional ideology, was the formal swearing of an oath of loyalty to the company which took the following form:

Oath of the Southern Sakhalin Colliery & Railroad Company<sup>1</sup>

1. I shall never violate the orders of the president or the instructions of my senior officers.

2. I shall sincerely and assiduously perform my duties, never bringing loss to the company.

3. I shall never divulge to a third party any of the affairs of the company large or small, trivial or important.

4. I shall keenly bear in mind never to violate any of the rules of the company.

5. With respect to any business I transact, I shall always follow the instructions of my senior official, never undertaking any transactions on my own judgment.

I accept the foregoing oath.

Year \_\_\_\_\_ Month \_\_\_\_\_ Day \_\_\_\_\_

Permanent residence \_\_\_\_\_

Family relationship (i.e., relationship to head of the house) \_\_\_\_\_

Name \_\_\_\_\_

Date of birth \_\_\_\_\_

Southern Sakhalin Colliery & Railroad Company

---

<sup>1</sup>Hadley, Business Power, p. 56. As Miss Hadley indicates, it is interesting to note that the form is written in "extremely formal, literary Japanese . . . employing the honorific and humble forms. Thus, for example, . . . the word 'company' is . . . prefixed with an honorific (the honorable company), the word 'I' by a humble qualifier."





However, not ones to leave the delicate control mechanisms to tradition, families and honshas instituted other management techniques to secure relationships. Some of the major ones were:

1. Severe punishment of even the highest executives for a show of independence or by otherwise incurring the displeasure of the family.
2. Direct appointment by the honsha of the board of directors, president, and/or officers of subsidiary companies. In the event that, for instance, a president was selected, he might be allowed to name his own officers, but only with approval of the honsha.
3. The formation of interlocking directorates whereby directors or ranking members of the honsha served in various high operating or administrative positions in one or more of the key subsidiaries (Table 3).
4. Requirements by the honsha that subsidiaries submit the agenda of all board or director's meetings to it in advance.
5. Periodic "management-report meetings at which (major subsidiary) presidents and chief executives . . . delivered reports on their activities to representatives (of) the . . . family and the parent company."<sup>1</sup>

---

<sup>1</sup>Ryutaro Komiya, ed., Postwar Economic Growth in Japan, translated by Robert S. Ozaki (Berkeley: University of California Press, 1966), p. 231.



TABLE 3

SUMMARY OF INTERLOCKS BETWEEN OFFICERS OF FIRST-LINE  
SUBSIDIARIES AND OFFICERS OF THE TOP HOLDING  
COMPANY IN THE MITSUI, MITSUBISHI AND  
SUMITOMO COMBINES, 1945

	Position in Subsidiary				No. Interlocks with holding company
	Presi- dent	Chair- man	Director	Auditor	
<u>Mitsui</u>					
Mitsui Trading	*		1		2
Mitsui Mining	*		2		3
Mitsui Trust	*		1		2
Mitsui Life Ins.	*		1		2
Mitsui Agr. and Forestry		*			1
Mitsui ship- building	*		1		2
Mitsui Precision Machinery	*		1		2
Mitsui Chem. Ind.	*		1		2
Mitsui Real Est.	*		1		2
Mitsui Shipping			1		1
<u>Mitsubishi</u>					
Mitsubishi Heavy Industry	*		3	5	9
Mitsubishi Trading	*		5	3	9
Mitsubishi Bank	*		3		4
Mitsubishi Mining	*		4	4	9
Mitsubishi Elec.	*		7	2	10
Mitsubishi Chem. Industry	*		3	3	7
Mitsubishi Oil			3		3
Mitsubishi Steel Fabricating	*		5	1	7
Mitsubishi Trust	*		3	2	6
Mitsubishi Ware- house			2	1	3
Mitsubishi Real Estate	*		1		2



TABLE 3 CONTINUED

	Position in Subsidiary				
	Presi- dent	Chair- man	Director	Auditor	No. Interlocks with holding company
Sumitomo					
Sumitomo Mining	*	*	2	2	6
Sumitomo Elec. Industry		*	2	3	6
Nippon Electric	*	*	1	2	5
Sumitomo Metal Industry	*	*	1	2	5
Manchurian Sumitomo Metal Industry <sup>a</sup>					
Sumitomo Mach.		*	1	2	4
Sumitomo Chem. Industry	*	*	2	2	6
Sumitomo Alum. Reduction		*	3	1	5
Korea Sumitomo Light Metal <sup>a</sup>					
Sumitomo Bank	*		3	1	5
Sumitomo Trust			3	1	4
Sumitomo Life Insurance		*	3	1	5
Sumitomo Ware- house		*	2	1	4
Japan Engineer- ing	*	*	2	2	6
Sumitomo Co-op Electric Power		*	1	3	5

<sup>a</sup>Not listed on table.

Source: Hadley, Antitrust, p. 83.



6. Exclusive buying and selling arrangements.
7. Use of combine banks for intracombine financing.

By reviewing both short-term and long-term applications for credit, the combine bank and its affiliated financial institutions could also check on (or strengthen coordination and control of) subsidiary activities.<sup>1</sup>

The extent to which zaibatsu banks controlled lending can be seen in Table 4.

TABLE 4

LOANS MADE BY FOUR ZAIBATSU BANKS IN 1944  
(in million yen)

Name of Bank	Amount of Money Lent	Percentage of All Loans Made
Mitsui	2,604	29.1
Mitsubishi	1,740	19.5
Sumitomo	1,290	14.4
Yasuda	1,068	11.9
Total of 4 banks	6,702	74.9
Total of all banks	8,943	100.0

Note: Because of a policy to promote bank mergers adopted in 1927, the four Zaibatsu banks by 1931 jointly had 38.2 percent of the total national deposits in their banks vis-a-vis 22.1 percent which they had held in 1926, just before the policy was initiated. This trend continued until the end of World War II. In this sense, the 1944 figures (are overstated) . . . as representative prewar figures.

Source: Kozo Yamamura, Economic Policy in Postwar Japan (Berkeley: University of California Press, 1967), p. 112.

<sup>1</sup>Hadley, Antitrust, p. 29.





### Zaibatsu Economic Patterns

In addition to the semantic difficulties engendered by the word "zaibatsu," attempts to define the economic nature of zaibatsu business concentrations have led to much disagreement between experts. Mainly, this disagreement appears to have its origin in discerning whether or not the combines were competitive or noncompetitive between themselves, and, as an extension of this, if they were, in fact, monopolies.

Two factors evolved which served to cloud these issues even more: first were the various methods used to measure the effect the zaibatsu had on the economy; second was the propensity in Japanese literature and speech to refer to the zaibatsu in terms of dokusen shinon (monopoly capital).<sup>1</sup>

There are two main methods used to gauge the economic impact of the zaibatsu combines. The first is a percentage measure of the paid-in capital ("the amount received . . . from stockholders whether in cash, property or services")<sup>2</sup> as derived by "totaling the paid-in capital of the subsidiaries within the various combine networks and dividing this by the total of paid-in capital for the nation."<sup>3</sup> The net result indicates the strength in selected industries of each zaibatsu combine in relation to each other and relative to an aggregate total for

<sup>1</sup>Seymour A. Broadbridge, Industrial Dualism in Japan (Chicago: Aldine Publishing Company, 1966), p. 36.

<sup>2</sup>Dictionary of Business, p. 449.

<sup>3</sup>Hadley, Antitrust, p. 45.



the nation. However, a major problem with this analysis emerges when a decision must be reached on what subsidiaries constitute the individual combine and which source data to use to compute aggregate totals. An example of the latter problem appeared, for instance, in 1946 when "the Ministry of Commerce and Industry reported . . . ¥32 billion, the Ministry of Finance, ¥43 billion, and the Bank of Japan, ¥48 billion"<sup>1</sup> as the aggregate total paid-in capital of Japan.

The second method of calculating economic impact is to measure business concentrations based upon a percentage share of defined markets. However, problems similar to those experienced in the paid-in capital technique are also found here. Decisions must be made, again, as to what subsidiaries are to be included in defining any particular combine; whether or not to select out only competing firms in the "capital-intensive" sector of the economy as opposed to the aggregate measure of all industries (large, medium and small); and what (or how much) output constitutes the "market" for any single product or group of products? Since there is no standard industrial classification system such as is found in the United States, it can be said that

. . . inadequacies in statements of Japanese total output are so great that the (concentration ratio) percentages are only roughly indicative. Indeed, there are substantial differences between . . . (one set of) figures and others, similar but not directly comparable.<sup>2</sup>

---

<sup>1</sup>Ibid., p. 46.

<sup>2</sup>Corwin D. Edwards, "The Dissolution of the Japanese Combines," Journal of Pacific Affairs (September, 1946), p.232.



The problem resulting from the equation of the zaibatsu and dokusen shihon was the connotation that the zaibatsu combines were automatically monopolies--a fact which will be shown to be not true in the economic sense, but true insofar as the combines were involved with imperfect competition sectors, i.e., "monopolistic competition." In addition, it was correct terminology in the concepts of "Japanese Marxist usage"<sup>1</sup> from which it was derived. Typical of the practical application of this concept was the statement in 1935 by Mosaburo Suzuki from his book Nippon Iokusen Shihon no Kaibo (Anatomy of the Japanese Monopolistic Capital) in which he described zaibatsu groupings as "a form of monopolistic konzern."<sup>2</sup>

What is monopoly? Even without the impediments enumerated above, a precise definition is illusive. Under Common Law, monopoly is generally conceived to be "an abuse of free commerce whereby one company or a group endeavors to get exclusive control over strategic sources of materials, means of production, or distribution. . . ."<sup>3</sup> The monopolist can dictate prices since he is the only one producing in that particular industry or competition is insignificant in terms of pricing. However, this is a generalized description and the

---

<sup>1</sup>Hadley, Antitrust, p. 319.

<sup>2</sup>Quotation of Mosaburo extracted from Yamamura, Economic Policy, p. 111.

<sup>3</sup>Dictionary of Business, p. 404.



difficulty in transferring from a general frame of reference to a specific one has been summarized by United States District Court Judge W. C. Noyes, who said:

The phrase "control of the market" . . . means the control of the disposition of a given product in a given market. It involves, primarily, the suppression of competition and, as incidental thereto: (1) the control of production; (2) the regulation of prices.

. . . It is not essential, however, to the control of the market . . . that it should be complete. Practical control is sufficient; and this does not imply an absolute elimination of competition. On the other hand, a mere restriction of competition does not give control of the market and is not unlawful. . . . Just where the line is to be drawn between a lawful and unlawful restriction of competition is practical suppression--must depend largely upon the facts and circumstances of each case.<sup>1</sup>

In order to achieve an overview of business concentrations in Japan, two tables (5 and 6) are shown. Table 5, although subject to the limitations previously enumerated, clearly shows that by paid-in capital ratios, only in the rarest cases did one zaibatsu combine control a substantial percentage of the total, whereas it was much more common that the collective zaibatsu (all combines) did dominate. Table 6, showing market ratios, indicates that whereas one combine may have had a large percentage of one segment of a single market, other combines operated within the framework of the same market.

<sup>1</sup>Quotation extracted from Dictionary of Business, p. 404 and is derived from W. C. Noyes, Intercompany Relations, pp. 352, 356.





THE ROLE OF THE ZAIBATSU IN JAPAN'S ECONOMY (1937-1941-1946)  
IN TERMS OF PAID-UP CAPITAL  
(Unit: 1,000 Yen)

TABLE 5--Continued

Zaibatsu	Financial <sup>a</sup>			Heavy Industry <sup>b</sup>			Light Industry <sup>c</sup>			Others <sup>d</sup>		
	1937	1941	1946	1937	1941	1946	1937	1941	1946	1937	1941	1946
Mitsui	70,500	70,500	169,375	298,190	884,109	2,214,166	84,802	158,389	273,698	159,125	104,190	403,891
Mitsubishi	127,000	127,000	159,875	262,475	680,870	1,866,032	66,050	86,850	73,030	118,573	296,125	604,576
Sumitomo	58,250	58,250	65,425	170,450	403,700	1,469,460	36,550	18,100	29,312	121,600	24,350	102,485
Yasuda	140,898	143,256	209,411	8,500	58,750	119,413	21,862	34,487	116,963	83,792	133,793	63,747
The Big Four	396,648	399,006	604,086	739,615	2,027,429	5,669,071	209,264	297,826	493,003	483,090	628,438	1,174,699
% of National Total	22.5	25.2	49.7	14.6	18.0	32.4	7.0	7.5	10.7	6.1	5.7	12.9
Aikawa	1,250	2,750	4,650	332,965	834,044	1,558,061	55,217	85,650	102,872	13,763	41,200	37,872
Asano	--	--	--	86,777	219,938	418,856	77,173	78,718	88,858	51,871	78,410	76,195
Furukawa	--	1,250	3,750	65,732	184,858	479,308	2,212	1,400	3,180	--	--	4,243
Okura	500	500	6,050	45,038	82,200	217,707	33,567	35,729	34,250	27,365	42,625	55,524
Nomura	15,150	20,150	25,650	--	4,850	50,250	25,500	38,065	27,100	17,000	62,400	62,400
Nakajima <sup>e</sup>	--	--	--	--	--	188,280	--	--	23,610	--	--	788
The Other Six	18,150	24,650	40,100	520,512	1,325,850	2,912,462	193,669	239,562	279,870	109,999	224,635	237,012
% of National Total	1.1	1.6	3.3	10.3	11.8	16.6	6.5	6.0	6.1	1.4	2.0	2.6
The Ten	414,798	423,656	644,186	1,260,127	3,353,279	8,581,533	402,933	537,388	772,873	593,089	853,073	1,411,711
% of National Total	23.6	26.8	53.0	24.9	29.8	49.0	13.5	13.3	16.8	7.5	7.7	15.5
National Total	1,640,099	1,583,118	1,216,143	5,065,991	11,270,109	17,501,369	2,990,610	3,968,607	4,587,862	7,957,816	11,013,147	9,074,142

<sup>a</sup>Financial sector consists of banking, trust, and insurance.

<sup>b</sup>Heavy industry sector consists of mining, metal manufacturing, machine tool, shipbuilding and chemical.

<sup>c</sup>Light industry sector consists of paper, ceramics (including cement), textiles, agriculture, forestry, marine products, food and miscellaneous.

<sup>d</sup>Other industries are electric power/gas, land transportation, marine transportation, real estate/construction/warehousing, commerce and trade.

<sup>e</sup>Figures for Nakajima not available for the years 1937 and 1941.

Source: Rearranged from data in Hadley, Antitrust, pp. 48-55.



TABLE 6

POSITION OF THE TOP FIRM, TOP THREE FIRMS AND TOP FIVE FIRMS IN SELECTED MARKETS, 1937, 1949

Industry	1937			1949		
	Top 1	Top 3	Top 5	Top 1	Top 3	Top 5
Coal	15	35	44	16	35	43
Crude Oil	67	91	95	94	97	99
Electric Power (1936)	10	21	27	78	84	89
Pig Iron	83	97	n.l.	65	89	91
Steel	41	56	66	32	58	68
Aluminum	52	91	(100)	57	100	(100)
Electrolytic Copper	37	74	98	34	70	92
Elec. Wire & Cables	n.l.	n.l.	n.l.	21	51	66
Elec. Engines (1943)	36	72	91	23	52	67
Shipbuilding	35	67	86	14	38	56
Locomotives	28	71	95	21	54	78
R. R. Passenger Cars	40	77	94	31	56	74
R. R. Freight Cars	38	71	91	22	56	76
Automobiles (1938)	59	100	(100)	45	98	(100)
Bearings	47	100	(100)	38	66	79
Elec. Light Bulbs	n.l.	n.l.	n.l.	27	47	54
Sewing Machines (1939)	25	52	n.l.	11	32	50
Caustic Soda (1940)	22	55	72	16	38	56
Ammonium Sulphate	22	60	78	15	39	57
Calcium Superphosphate	24	46	59	30	47	61
Lime Nitrate	40	86	94	31	75	91
Synthetic Dyestuffs (1939)	28	56	61	37	74	88
Celluloid	59	77	85	43	68	78
Photographic Film (1940)	72	100	(100)	72	100	(100)
Auto Tires/Tubes (1939)	41	100	(100)	33	89	100
Plate Glass	73	100	(100)	65	(100)	(100)
Cement	23	40	54	22	52	70
Pulp (1941)	49	65	76	21	43	57
Western Paper	71	83	90	27	62	74
Cotton Spinning	15	33	42	14	38	57
Rayon Yarn	13	36	53	25	66	94
Cotton Goods	7	16	22	7	20	31
Flour Milling	34	71	n.l.	20	40	44
Beer	63	99	(100)	38	100	(100)
Butter (1943)	80	90	92	67	85	89
Soy Oil	12	20	24	10	18	21
Condensed Milk	42	80	86	35	79	86
Shipping	14	29	37	9	20	26
Warehousing	16	37	46	13	30	39
Banking	11	25	39	8	22	35
Life Insurance	16	41	63	25	46	59

Notes: a. Where 100% of production has been attained before size grouping in question, 100% appears in parentheses.

b. Exceptions to the 1937 data appear in parentheses.

Source: Hadley, Antitrust, pp. 322-323.





With the premise that, under a strict definition of terms, the individual zaibatsu combines could not be called monopolies, then, under the workings of imperfect competition where there are few producers who control the majority of any single product market, they would be known as oligopolies. However, there is one unusual aspect; the zaibatsu combines through their subsidiaries appear time after time competing in multiple markets. Table 7 illustrates this phenomenon by indicating leading combines in selected markets during 1943 and 1944. In this respect, the Japanese practice does not follow the standard Western conception that different oligopolists exist, as a rule, in different markets (i.e., one manufacturer will only compete as an oligopolist in one market, not in many).

This now leads to the question concerning competition between zaibatsu combines. Detailed research done in this area by Eleanor M. Hadley shows that the combines, in fact, were competitive but enjoyed a cordial type of oligopolistic relationship in that they developed a "live and let live" business philosophy toward each other.<sup>1</sup> This quid pro quo existence was based upon a rationale that it was not worth the price of gaining a piece of one market by cutthroat competitive tactics while losing in another market where they faced the same competitor who had control. Indicative of this balanced

---

<sup>1</sup>Hadley, Antitrust, pp. 14-19.



TABLE 7

MARKET CONCENTRATION RATIOS BY COMBINE BY  
SUBSIDIARY, 1943-1944

<u>Pig Iron</u>			
National Policy Co.	Nippon Seitetsu	Japan Iron Mfg.	79%
Asano	Nihon Kokan	Japan Steel Pipe	14
Okura	Okura Seiko	Okura Steel Mfg.	2
Mitsui	Amagasaki Seit.	Amagasaki Iron Mfg.	2
<u>Ingot</u>			
National Policy Co.	Nippon Seitetsu	Japan Iron Mfg.	53.5%
Asano	Nihon Kokan	Japan Steel Pipe	15.4
Kawasaki	Kawasaki Jukogyo	Kawasaki Heavy Ind.	4.6
Mitsui	Amag. Seitetsu	Amagasaki Iron Mfg.	2.4
<u>Special Steel</u>			
National Policy Co.	Nippon Seitetsu	Japan Iron Mfg.	9%
Sumitomo	Sum.Kinzoku Kogyo	Sumitomo Metal Ind.	8
Kawasaki	Kawasaki Jukogyo	Kawasaki Heavy Ind.	5
Mitsubishi	Mitsubishi Seiko	Mitsub. Steel Mfg.	2
Asano	Nihon Kokan	Japan Steel Pipe	2
<u>Aluminum</u>			
Furukawa	Nihon Keikinzoku	Japan Light Metals	33.0%
Mori	Showa Denko	Showa Elec. Ind.	22.0
Sumitomo	Sumitomo Kagaku	Sumitomo Chemical	13.9
Mitsubishi	Nihon Aruminumu	Japan Aluminum	10.2
<u>Coal</u>			
Mitsui	Mitsui Kozan, Hok.	Mit. Mining, Hokkaido	
	Tanko & Others	Colliery & Others	35.0%
Mitsubishi	Mitsubishi Kozan	Mitsubishi Mining	
	and Others	and Others	15.0
Nissan-Mangyo	Nihon Kogyo	Japan Mining	
		Ube Mining	6.0
Sumitomo			4.5
Furukawa			2.8
Okura			2.4
Asano	Iwaki Tanko	Iwaki Colliery	2.0
<u>Ammonium Sulphate</u>			
Nitchitsu	Nitchitsu Hiryo	Japan Nitrog. Fert.	22%
Mori	Showa Denko	Showa Eclect. Ind.	21
Sumitomo	Sumitomo Kagaku	Sumitomo Chem.	14
Mitsui	Toyo Koatsu	Oriental High	
		Pressure	13
Nissan-Mangyo	Nissan Kagaku	Nissan Chemical	10





TABLE 7--Continued

Calcium Cyanamide

Mitsui	Denki Kagaku Kogyo	Elec. Chem'l Ind.	53%
Mori	Showa Denko	Showa Elec. Ind.	14
Nitchitsu	Chochitsu Hiryo	Korea Nit. Fert.	9

Soda Ash

Mitsubishi	Mitsubishi Kasei	Mitsub Chem. Mft.	52%
Iwai	Tokuyama Soda	Tokuyama Soda	28

Dyestuffs

Mitsui	Mitsui Kagaku	Mitsui Chemical	53%
Sumitomo	Sumitomo Kagaku	Sumitomo Chem.	8
Mitsubishi	Missub. Kasei	Mitsub. Chem. Mfg.	7

Shipbuilding

Mitsubishi	Mitsub. Jukogyo	Mitsub. Heavy Ind.	22%
Kawasaki	Kawasaki Jukogyo	Kawas. Heavy Ind.	18
Nissan-Mangyo	Hitachi Zosen	Hitachi Shipbldg.	9
Mitsui	Mitsui Zosen	Mitsui Shipbldg.	5
Sibusawa	Ishikawajima	Ishikawajima	
	Jukogyo	Heavy Industry	2

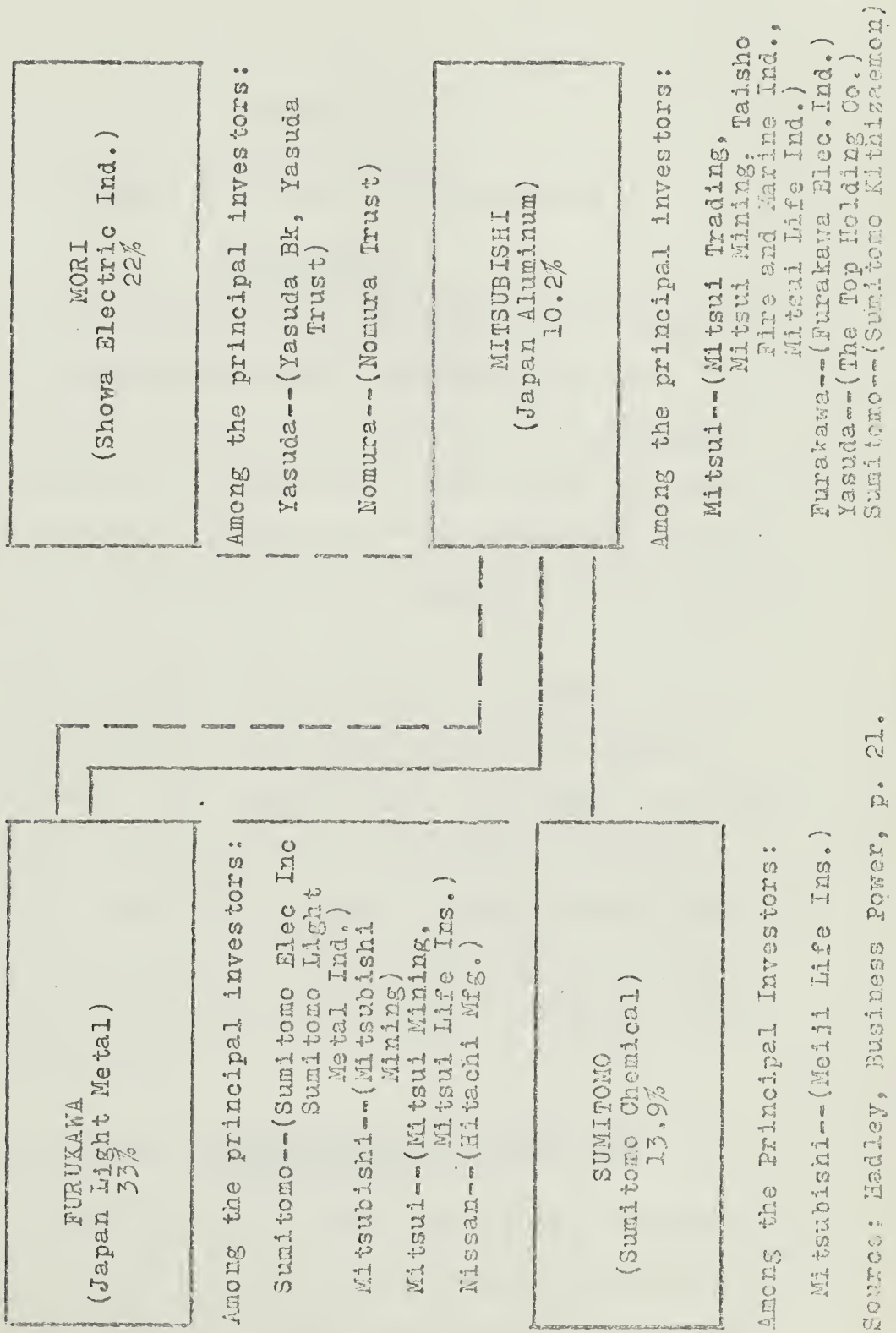
Source: Condensed from Hadley, Business Power, pp. 373-379.



situation were the inter-combine programs of investment in certain private and national policy companies (Chart V). Without cordial relationships, such mutual investments could not have existed.



INTERCORPORATE RELATIONS IN THE COMBINE SECTOR OF JAPAN'S ALUMINUM INDUSTRY  
(Combine Production--79.1% 1943)





## CHAPTER III

### ZAIBATSU EVOLUTION AND DEVELOPMENT

#### Introduction

The basic purpose of the following short historical review of the political-economic development of Japan is to provide an insight into the base upon which the zaibatsu rested, to examine the strength and dominance of the family as a concept of business organization, and to show the relationship between the government and the zaibatsu as Japan emerged as a world power.

To remain within a chronological framework, the chapter has been divided into major periods in Japanese history as follows: the Tokugawa Era (1600-1868); the Meiji Era (1868-1912); the Liberal Era (1914-1931); and the Militaristic Era (1932-1945). Each of these periods sets the stage for the next and the last one provided the building blocks upon which the attitudes expressed during the Allied occupation were based.

#### Historical Perspective--The Tokugawa Era (1600-1868)

The Tokugawa period in Japan was an era of transition from a feudal political, social and economic structure to the paradox of a capitalistic economy contained in the continuum





of the feudal social and political framework. The Tokugawa overlords established and maintained a strong centralized government and held strict controls over feudal lords. As a result, the country enjoyed a long period of peace, but the steady growth of expenditures by both the central authorities and the daimyo (local lords) pressed hard on the samurai (warriors) who were the ruling elite class (shizoku) of the rigid social hierarchy. The nomi (peasant class) were also subjected to pressure. As a money economy gradually replaced the existing exchange economy, which had been based on rice, and the daimyo took a larger and larger percentage of rice which had to be converted to cash on terms which had become increasingly less advantageous, the peasants began to move into the urban areas to look for work. Along with them came the samurai whose economic wants had increased while their real income had decreased. Thus, with increased urbanization, the growing indebtedness of the samurai, daimyo and shoguns (war lords) and the appearance of commercial and private credit instruments, the wealth of Japan gradually passed into the hands of the chonin (merchant class).

It was this change in the economic structure, and the social and intellectual ferment among the samurai as well as Western pressure to end Japan's isolation, that provided the impetus in the mid-nineteenth century for the overthrow of the shogunate and it was during this era that the inception of the oldest zaibatsu, Mitsui and Sumitomo, occurred.



Mitsui

About 1620, Mitsui Hachirobei, who had renounced his samurai status, entered the saki (rice wine), loan and pawn shop businesses in Matsuzaki, Ise Province. With capital accumulated from these sources, he and his son Saburobi opened a dry goods store in Edo<sup>1</sup> which quickly became successful.

In 1673, the fourth and youngest son, Mitsui Taketoshi, moved to Kyoto where he established a textile firm. Having great business acumen, Taketoshi then opened a branch in the textile wholesale center of Osaka and another branch in the retail center of Edo.

To expand the base of his businesses, Taketoshi then sought admittance to the money exchange guild. After nearly ten years of waiting, in 1683, he was admitted and immediately opened a money lending and exchange business in Edo. Since usury was the legal and the quickest method of accumulating capital during the Tokugawa shogunate, the business prospered and Taketoshi expanded again by opening branch exchanges in Kyoto (1686) and Osaka (1691) as well as establishing a silk tonya (wholesale house) in Osaka. The tonya took on a special significance in that it became

. . . an instrument through which production was controlled by commercial capital, both by providing capital (to others for high interest returns) and by putting out (a system where advances were made of raw materials and equipment vice capital) raw materials. It was through this

---

<sup>1</sup>Name of Tokyo prior to 1868.



controlling position that the tonya organizations were able to limit production and set monopolistic prices on the goods they handled.<sup>1</sup>

In 1691, Taketoshi, along with another Mitsui and ten other individuals, came under official Bakufu (Tokugawa bureaucracy) protection to handle transfers of official funds via bills of exchange. The privileges of participation in this business were great as it increased the status of the house and provided entry into the feudal political structure as well as providing physical protection to the Mitsui house.

From these auspicious beginnings by Mitsui Taketoshi, came the House of Mitsui. By bringing his sons into the business, the house became an association of related families rather than a single entity.

By 1722, the Mitsui family had developed a written law of the house which took root in the samurai concepts. The law, which was written in the form of a will by Taketoshi, was all encompassing, as can be seen from the following synopsis:

Under this code, the personal as well as the business lives of the Mitsui (family) members were subjected to regulation by a family council, dominated by the head of the main family. Marriage, divorce, adoption, and other personal matters were so controlled, no less than the handling of corporate investment, savings, and profit distribution. . . . It . . . had provisions (for) apprenticing male house members . . . (and the) . . . careful selection (of) . . . outside executives.<sup>2</sup>

<sup>1</sup>Charles D. Shelton, The Rise of the Merchant Class in Tokugawa Japan 1600-1868 (Locust Valley, N. Y.: J. J. Augustin, Inc., 1958), p. 83.

<sup>2</sup>Bisson, Zaibatsu Dissolution, pp. 9-10.



The house rules as written by Taketoshi, lasted for 178 years until, in 1900, they were revised with the assistance of Western legal experts, but still served to tightly control the framework within which the eleven Mitsui families operated.

In the middle of the eighteenth century, similar control concepts took shape within the Mitsui traditional pattern of Japanese paternalistic management whereby the lives of employees (over 1,000 men and women by then) were regulated in minute detail. The extent of paternalism practiced during this period was indicated by Oland D. Russel, who, in his book The House of Mitsui, said:

(The house) permitted a certain amount of profit sharing among the higher classes of employees, and strict rules governing rest periods, health, sanitation and hygiene for all others. Dormitories were set up, and the private lives of the employees were carefully looked after. They were coached in proper speech and required to be neat and clean in attire.<sup>1</sup>

In return for the honor, security and other advantages secured through employment by the House, the feudal loyalty demanded and received by Mitsui from their employees was based on real life terms and can be illustrated in this example of a Mitsui banto (chief clerk):

The banto was sent on . . . (a) difficult mission to explain an "unfortunate incident" to a daimyo who, if displeased with the explanation, could have forced the House of Mitsui "out of existence." He took a dagger with him. "If his testimony should fail to satisfy the lord, he was

---

<sup>1</sup>Quotation from Russel's, The House of Mitsui, was extracted from Shelton, Rise of the Merchant Class, p. 65.





to disembowel himself on the spot and offer his life as a price for exoneration of his master and his house. . . . The papers that this clerk took with him on this occasion are preserved to this day and bear testimony to the spirit with which he was serving his master."<sup>1</sup>

Chart VI shows the structure of the Mitsui House during the Tokugawa years as it emerged into the Meiji Restoration.

### Sumitomo

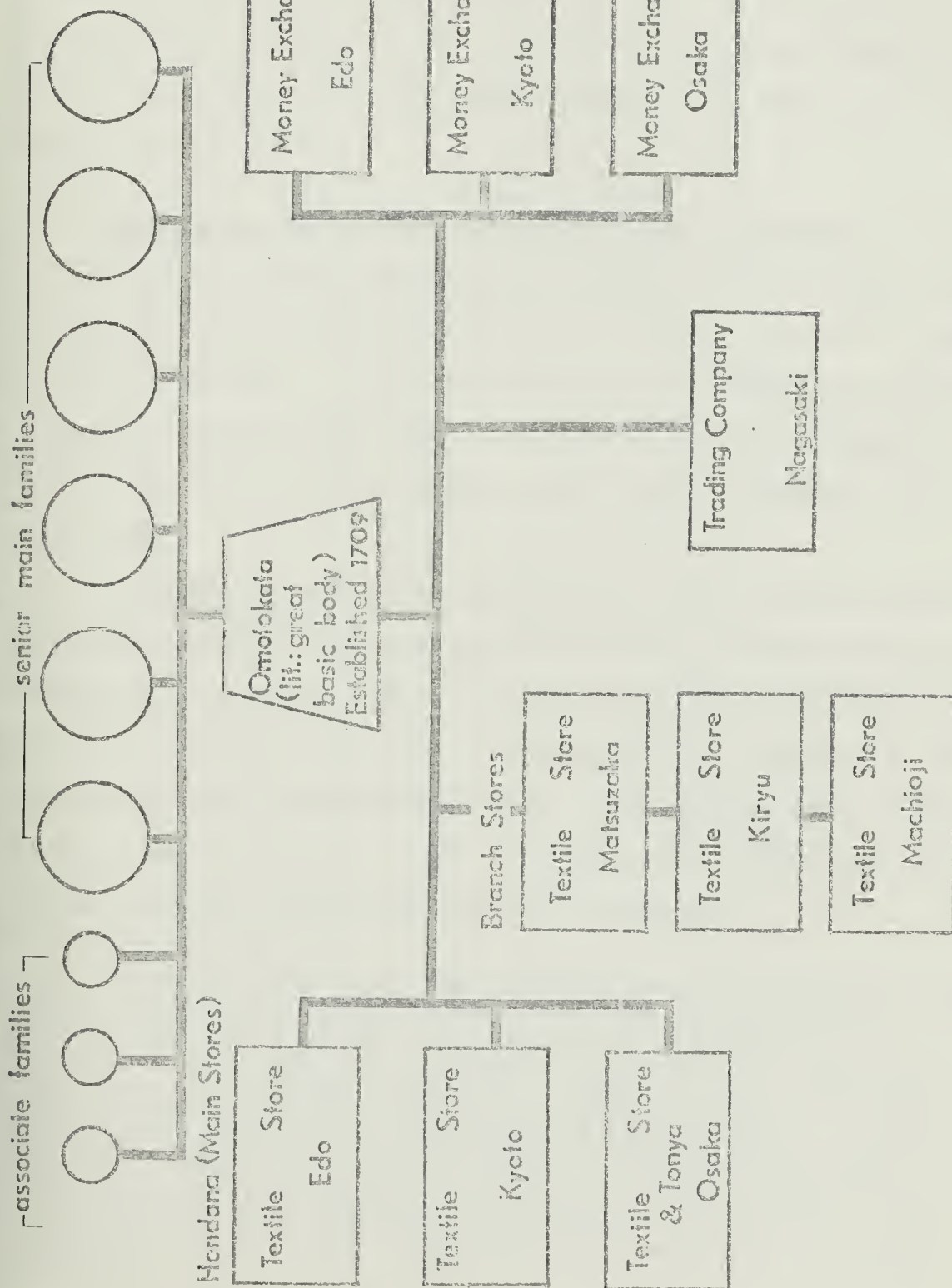
Although not as well documented by Western authors as Mitsui, the Sumitomo house also had deep roots in the Tokugawa period but attained prominence in a different fashion. The founder of the house, Masatomo (1585-1652), like Mitsui Hachirobei, had renounced his samurai status and established a bookstore and ironware business. By what was to turn out to be a cleverly arranged marriage, Masatomo's son-in-law happened to be the son of a Kyoto copper merchant who had learned from Europeans at Hirado, the secret of extracting gold and silver from copper ore. By marriage the secret became a monopoly of the Sumitomo family who turned it into a fortune. The success of the new metallurgical technique earned a bonanza for the house, in 1691.

The Bakufu, who controlled all mines and minting operations, conferred upon it permission to operate mines, a

<sup>1</sup>Ibid., p. 53. Quotation marks indicate where Shelton extracted verbatim information from an article, "Chonin's Life Under Feudalism," by Mitsui Takaharu which appeared in the June 1940 edition of Cultural Nippon.



# THE HOUSE OF MITSUI DURING THE TOKUGAWA ERA





privilege granted to only the most prominent business families. By sending agents to scour the country for copper, gold and silver deposits, Sumitomo was successful in the discovery of rich ore locations. He was also successful in the effective operation of the mines.

### Historical Perspective--The Meiji Era (1868-1912)

The Meiji Era, following the Restoration of 1868, can be described as the time in which the economic growth of today had its foundation. It was characterized by internal changes in social stratification, the development of the zaibatsu as recognized socio-economic organs, and Japan's emergence as a world power.

Due to the threat of domination by the Western powers after the middle of the nineteenth century,<sup>1</sup> private discontent materialized into the fusing of a popular determination to restore the emperor and repel the barbarians. This was brought to fruition when, in November 1867, young samurai leaders of Satsuma, Chosu, Tosa and Hizen Provinces, with their peasant troops, defeated the feudal army of the shogun.

---

<sup>1</sup>The appearance of the Russian, British, American and French during the early nineteenth century, who dominated trade and challenged the policy of seclusion by a superiority of arms, forced new pressure on the already strained Tokugawa shogunate. The arrival of American naval units in 1853 under Commodore Matthew Perry, who demanded facilities for trade, forced the government to acquiesce and shortly Western powers obtained treaties which provided for extensive commercial concessions and which granted extraterritorial status, thus exempting them from Japanese jurisdiction. Ultimately, the concessions virtually gave an exporting monopoly to foreign elements.





The Emperor Meiji was officially restored to power on January 3, 1868, and in April of that year, issued a fiat for reform. The leaders of the Restoration ruled as a bureaucratic oligarchy in the name of the Emperor and immediately set out to build a modern state by inauguration of social, political and economic measures. The real purpose behind these moves was not to democratize Japan, but rather to be able to cope with the Western powers by means of a united people, strong industry and an equally strong military.

The old four major class social systems<sup>1</sup> were formally abolished. With the exception of the Imperial family and a nobility which had become enlarged to include certain samurai, merchants or wealthy peasants who had contributed to the new establishment, all people were classified equally as commoners. The daimyos became salaried governors of prefectures and, in general, the samurai who had been indemnified with government bonds as restitution for their loss of income and status, entered the professions, military services, business or the bureaucracy. However, as the ruling class, the samurai had formerly enjoyed a monopoly on education as well as managerial experience and they quickly took advantage of this to establish themselves in the top echelons of their new occupations.

---

<sup>1</sup>Top were samurai (shizoku); second were peasants (nohin); third were artisans (kogeiin); and last were the merchants (chonin). All had strict hierarchies within each group.



The chief impetus for industrialization came from the government which was convinced that modernization of the economy and technical advances were essential to survival. They first set about adopting every aspect of Western scientific discovery which pertained to a military industrial base. To achieve this goal, Meiji leaders sought to induce private capital into new industrial endeavors, but were generally unsuccessful<sup>1</sup> due to:

1. The weakness of private capital.
2. The initial technical and organizational difficulties machine production entailed.
3. The conservatism of private owners of wealth.<sup>2</sup>

In the twelve year period from 1868 until 1880, the government participated heavily in the establishment of an industrial base by confiscation and development of existing arsenals, shipyards, mines and foundries which had belonged to the shogunate and daimyos. From this foundation they then expanded, with assistance gained by importing foreign technicians and instructors, into the strategic industries such as chemicals, glass, cement, transportation (railroad and ship building), and communications (telegraph and telephone). Jointly with private investment, Meiji rulers became financially

---

<sup>1</sup>Mitsui, Sumitomo and the recently established House of Mitsubishi were notable exceptions to this policy of new investment.

<sup>2</sup>Thomas C. Smith, Political Change and Industrial Development in Japan: Government Enterprise, 1868-1880 (Stanford, Calif.: Stanford University Press, 1955), p. 36.



involved with supporting the textile industry. The rationale behind this latter move was based upon the fact that textiles were exported and a primary means of gaining money to pay for foreign equipment and technicians. The authorities wished to reduce to the barest minimum imports of any textile commodities except capital goods and raw materials. With government backing, the mechanization of silk production was fostered in order to increase the quantity and quality of the product since it was in the highest demand by Western countries. At the same time, model textile mills for spinning and weaving were introduced and the government offered long-term loans to importers of textile machinery so as to promote the entire industry.

In the late 1880's, the Meiji government began to sell most of the enterprises under its jurisdiction to private interests only holding back the railways, arsenals, ordnance works, the naval shipyard at Yokosuka, the telegraph system and certain mines. Three major views have been proposed as to why the government sold the industries: first, they were sold to a few wealthy families for the purpose of forging an alliance between the government and the small, but wealthy capitalists; second, it was a political technique to mollify opposition; third, it was necessary to save the government from financial collapse.<sup>1</sup> In any event, the sales resulted in the transfer, to select groups within the private sector, of fully

---

<sup>1</sup>*Ibid.*, p. 87.



equipped plants with modern machinery as well as technicians and a trained labor force. Since there were no domestic competitors and relatively few competitors in the entire Far East, the initial impetus thus generated by these acquisitions was never lost.

Due to the financial and political structure of the Meiji government, only particular private interests were selected to purchase the national industries. The principal problem which faced the early industrialization program was to mobilize enough capital to finance it. Although the majority of large merchants and money lenders at Osaka and Kyoto (who, by then, controlled 80 percent of the nation's wealth) had joined in overthrowing the shogunate, they were conservative in nature and hesitated to risk huge amounts of capital with no assurance of profit and no protection against loss. As a result, the government initiated a series of forced loans. In their capacity as exchange agents for the Meiji finance office, the Mitsui house, who had already made a contribution to the new treasury, was assigned major responsibility for the collection of these loans. Soon thereafter, it was decided to spread the responsibilities for land tax collection, storage and expenditure between three houses--Mitsui, Ono and Shimada--which gave them distinct advantages in that they could temporarily enjoy the use of the funds while they were in the possession of the house. In addition, this group "came to





perform exchequer services for some seventy-five local government units"<sup>1</sup> which served to increase their span of involvement and control. However, in 1874, after the government suddenly demanded a radically increased amount of security funds for the public monies held by the three houses, Ono and Shimada became bankrupt leaving Mitsui the entire exchequer business until the establishment of the Nippon Ginko (Bank of Japan) in 1882.

During this time, the informal representation of big business in politics began with a political friendship between the Mitsui house and Inouye Kaoru in the early 1870's. Inouye was a high official in the finance office in 1871-1872, the Minister of Industry in 1878, and Foreign Minister in 1879. He continued to hold high government offices throughout his life as well as serving as advisor to the Mitsui interests. Because of the aid it rendered and political connections it had, the House of Mitsui was permitted to buy at a low price (often below actual cost) rich sulfur, lead, silver and copper deposits, the huge Miike coal mine and textile mills.

Others besides Mitsui received privileges. In 1870, Iwasaki Yataro began a shipbuilding and shipping business, and in 1875, founded the great Mitsubishi empire. To expand trade, the Meiji government gave him thirteen ships that had been used to transport troops in the punitive expedition to Formosa in 1874 and, in addition, until 1885, provided a yearly cash subsidy of just under ¥250,000. In 1885, Iwasaki formed the

---

<sup>1</sup>Hadley, Business Power, p. 120.



Nippon Yusen Kaisha--NYK (Japanese Mail Steamship Company) and the government subsidy was increased to about ¥880,000 per year. In addition, to strengthen the firm, it was made, by legislative action, the sole military carrier for the government.

As a reward for expanding Japan's trade as well as benefiting from political connections, Iwasaki Yataro and his brother, Yanosuke, were permitted to purchase the Nagasaki shipyards, the Tasashima coal mine, the Sado gold mine and the Ikuno silver and copper mine from the government.

Other industrial units were sold to Sumitomo and additional houses until the government had divested itself of the majority of its interests.

With the emergence of Japan as a world power as a result of victories in both the first Sino-Japanese War of 1894-95 and the Russo-Japanese War of 1904-05, strategic industries grew in scale and in capital invested. Simultaneously, the great zaibatsu houses expanded in size, increased the number of their enterprises and consolidated their holdings thereby taking the shape of the modern combines.<sup>1</sup> The controlling families, closely connected to the government bureaucracy from the early

---

<sup>1</sup>It is interesting to note that the first recorded joint venture by the zaibatsu houses occurred in this period when, in 1906, the South Manchurian Railway Company, which represented government, Mitsui and Mitsubishi interests, was established and succeeded to rights formerly held by Russia. The company, becoming a center of the Japanese domination of Manchuria, also controlled the valuable Pushun Coal Mines as well as the Anshan Iron Works.



days of the Restoration, were, as industrialists, becoming a new power in the political sector of the country. At the same time, the military was moving into a public position of power and prestige as were the political parties. Through a gradual process, both groups began supplanting the aging and weakening Meiji oligarchy in the role of national leadership.

Two major political parties dominated the Imperial Diet for the first four decades of the twentieth century. The Seiyukai (Association of Political Friends), which had origins in the 1870's, was conservative in nature deriving its strength from rural areas. However, by support from the Mitsui zaibatsu, it also developed a strong urban wing. On the other hand, the Minseitō (Democratic Associates Party) was also conservative but predominately urban and intellectual in nature. It was supported by the Iwasaki families of the Mitsubishi zaibatsu.

#### Historical Perspective--The Liberal Era (1914-1931)

The nearly two decades of liberalism in Japan spawned an even greater hold on the economy by the zaibatsu. The World War I boom was characterized by the term narikin (new rich) which came into common use. With the expansion of the economy (which was, in part, due to the acquisition of Germany's assets in the Far East and in part to economic concessions in China), shinka zaibatsu (new zaibatsu)





developed<sup>1</sup> and the older houses became wealthier and stronger. By 1916, Japan had become the world's greatest producer of raw silk as well as cotton cloth, and was a major producer of chemicals, dyes and pharmaceuticals.

But the wartime prosperity ended in the depression of 1920 and subsequent industrial recovery was irregular. The silk and textile industries prospered quickly, becoming again the largest segment of Japanese manufacturing. Meanwhile, heavy industry did not revive. Under the combined forces of disarmament negotiations, the devastating earthquake of 1923, and the world depression of 1929, it stayed sharply contracted with a low level of activity until the mid-1930's. However, the difficulties of the period affected the zaibatsu houses least. Using the wealth previously accumulated, they invested heavily in horizontal and vertical integration by buying out competitors and purchasing sources of raw material production--all at depressed prices. Thus, at a time of general depression, the zaibatsu actually expanded and Japan, despite fluctuations in foreign markets, simultaneously expanded its trade and built one of the largest merchant fleets in the world.

---

<sup>1</sup>Asano, Ayukawa, Furukawa, Nakajima, Normura and Okura. Some conflict, which is mainly based on dates of origin, is present in the determination of the actual companies characterized by the term "new zaibatsu." One school of thought calls combines which developed during and immediately subsequent to the World War I boom "new zaibatsu"; the other school maintains that these companies developed during the period of the 1930's as a result of the quasi-war economy of that decade. (See Table 1).



In addition to the above, zaibatsu houses also increased their political power through the mechanism of a dualistic industrial economy. One side of this dual structure contained the relatively few zaibatsu who could be characterized by huge enterprises with thousands of personnel; the other side was composed of thousands of medium and small manufacturing units which mainly used manual production methods. Table 8 shows this pattern over a period of years from 1920.

TABLE 8

## JAPANESE INDUSTRIAL DUALISM 1920, 1930, 1939

Size of Unit	1920	1930	1939
1-5	54.6	46.1	22.7
5-29	8.5	9.9	23.5
30-199	5.6	6.5	19.2
200+	31.3	37.5	34.6
Total	100.0%	100.0%	100.0%

Sources: 1920 and 1930--Hadley, Business Power, p. 301.  
 1939--George C. Allen, Japan's Economic Expansion, p. 271.

Many of the smaller enterprises depended on the zaibatsu combines for credit, orders or marketing channels (i.e., for their very existence). This dependency relationship increased the scope of zaibatsu political influence by broadening the power base to incorporate all elements of the



stratified society. Not only did the zaibatsu houses materially assist in financially backing the people it wanted to place in high positions through the two political parties. Family relatives were similarly advanced<sup>1</sup> since industrialists were now very acceptable in court circles and intermarriage with the aristocracy and bureaucracy was common.

In the financial sector, banks had developed into the chief source of both long-term and short-term working funds for industry and commerce. Although government banks remained dominant as an effective and significant instrument of military and expansionist policies, private banks such as the Daiichi (First), Yasuda, Sumitomo, Mitsui and Mitsubishi concentrated on increasing their capital. Over the years they absorbed smaller banks which had gotten into difficulties in a series of financial crises.

The termination of the Liberal Era came suddenly when, in September 1931, the Japanese Army, after extensive economic penetration by the government Bank of Chosen (Korea), staged an explosion on the South Manchurian Railway near Mukden and blamed it on Chinese sabotage. The "Manchurian Incident," as it was popularly called, gave the Army the excuse it needed to

---

<sup>1</sup>Prime Minister Kato Takaaki (1925-26) was the son-in-law of Iwaski Yataro, the founder of the Mitsubishi house. A fascinating study has been made of these and current political-economic personal relationships by Yanaga Chitoshi in his book, Big Business in Japanese Politics (New Haven: Yale University Press, 1968).



occupy the country immediately and therefore, before the liberal government could act, it was presented with a fait accompli.

### Historical Perspective--The Era of Militarism (1932-1945)

By December 1931, the "Manchurian Incident" had caused the Minseito Cabinet to fall and, since Japanese military forces occupied all important population centers, in February 1932, the puppet state of Manchuko was established as a protectorate; a location from which the Army continued its policy of economic and military infiltration into Mongolia and North China.

As was previously noted, the zaibatsu had aligned themselves with the two major conservative political parties, the Seiyukai and the Minseito. A synopsis of their effect on the political structure can be seen from the following:

In the period 1915-1932, two conservative party lineages were recognized and utilized by the zaibatsu as means to power, that is, to influence the formulation of public policies. The parties became dependent on them financially, and this influence was used to obtain national policies favorable to big business and specific company interests, to resist agrarian and military elements when they threatened zaibatsu positions, and to oppose any broad reforms which might change the socio-economic structure.<sup>1</sup>

However, this arrangement was relatively short-lived. In 1925, the Universal Manhood Suffrage Bill gave rise to expressions of unrest by the farmers and industrial workers which manifested

<sup>1</sup>Allan B. Cole, Japanese Society and Politics, Boston University Studies in Political Science, No. 1 (Boston, Mass.: The Graduate School of Boston University, 1956), pp. 74-75.





itself in the organization of active proletarian political parties. This, in addition to smear tactics used by the militarists and ultra-nationalists, led to extreme pressure on the zaibatsu in the form of condemnation for all political corruption (a great deal of which they were actually responsible for). Since the zaibatsu were somewhat aligned (if not actually, then mentally) with liberal Western influences for purposes of trade while still having great power in the government, it was relatively easy for the right wing to twist the coin and discredit both capitalism and all democratic/liberal government. As has been succinctly stated:

Here was sort of guilt by association, applied perhaps more to institutions than to individuals. Greedy capitalists, corrupt politicians, and an economically menacing but effete Western world were lumped together in an amorphous but horrible totality, in which each helped to discredit the others and which contrasted sharply with the supposed native purity and selfless loyalty of the military and the nationalistic fanatic.<sup>1</sup>

Smear campaigns, however, had their limitations and a series of assassinations in 1932 by ultranationalistic groups with the targets being leading political, bureaucratic, business figures as well as moderate Army and Navy leaders, proved effective. Premier Inukai Ki (Tsyuoshi), head of the Seiyukai, was murdered on May 15 (the "5-15 incident") in a plot engineered by twenty-five young Army cadets and Naval officers. Also among the top people assassinated at this time

---

<sup>1</sup>Edwin O. Reischauer, Japan Past and Present (3rd ed.; New York: Alfred A. Knoff, 1964), p. 176.



were a former Minseito Finance Minister and Baron Dan Takuma, chairman of the Mitsui honsha. From this point until the Army took complete control in 1941, Cabinets were run by a conglomeration of civil and military bureaucrats who attempted, without success, to steer a course between the aggressive expansionistic policies of the militarists and the tenents of relative caution promulgated by major zaibatsu.

The trend was definitely toward more and more military control with only the efforts of a relative few of the Emperor's advisers and a power struggle between two factions of the Army, the Toseiha (Control Group) and the Koioha (Imperial Faction), delaying the inevitable. It is interesting to note that the split in the Army did not involve war or peace, but only the direction in which the war would move; the outcome of which would profoundly affect the future of Japan. The Koioha held that the Soviet Union was the primary enemy of Japan and was to be attacked as soon as possible, whereas the Toseiha favored avoiding the Soviets and pushing southward into China. In 1936, passions overrode judgment and in February (the "2-26 incident"), young officers, supported by soldiers of the Tokyo garrison and some of the Imperial Guard, seized key buildings in Tokyo and sent assassination squads to eliminate the opposition. In this blood-bath, Finance Minister Takahashi Korekiyo, Keeper of the Privy Seal Admiral Saito Makoto, and the Inspector of Military Training and Education, General Watanabe Jotaro were among the many killed. Although the government suppressed the rebellion, the incident set the stage



for leaders of the Toseiha to assume authoritarian control and direct war efforts toward China (fighting actually began near Peking on July 7, 1937). Their position was formally solidified on May 17, 1936, when it was required that the Ministers of War, Army and the Navy be selected from active officers in the armed forces.

Almost immediately subsequent to the violence in 1932, the zaibatsu began to abandon the political parties and seek an accommodation with military and right wing bureaucratic leaders. In existence at that time were over an estimated 500 patriotic and nationalistic societies, among which were the anti-communist Kokuhonsha (National Foundations Society), the Sakurakai (Society of the Cherry) and Kokuryukai (Society of the Amur River---more commonly known as the Black Dragon Society). Although some of them had limited membership (e.g., the Sakurakai was limited to Army officers of the rank of lieutenant colonel and below), zaibatsu interests were able to shift their affiliation from one group to another and, if desired, belong to several societies at one time. This switch of allegiance from political parties to the more right wing authoritarian type of government was not such a radical change in that, while

. . . . the zaibatsu had stood behind the parties,  
 . . . they had also stood behind a strong centralized government and rigid police control of the people. They were no more committed to parliamentary government than to autocracy. Business meant far more to them than political principles. The vast new field for economic exploitation provided by the militarists in Manchuria became, to a large extent,





the special domain of a newly risen group of zaibatsu, but the wars and rearmament programs of the militarists led to rapid development of heavy industry and of certain other specialized war industries to the benefit of all the big industrialists. The average zaibatsu executive remained afraid of the risks and expense of a major war, but he was not averse to cooperating with the militarists in minor colonial ventures and in the profits of building an empire. The militarists for their part, while initially suspicious or openly hostile toward big business and capitalism in general, discovered early . . . that they could not fully exploit the empire they were conquering or develop the war industries they needed without the full and willing cooperation of big business.<sup>1</sup>

Table 9 indicates the extent of the operations of selected combines in occupied territories and serves to bear out the cross connection between the zaibatsu and the military as far as mutual interests were concerned.

The mastery of the political arts shown by the zaibatsu became apparent when, in the early 1930's, Mitsui's foremost executive, Ikeda Seihin, became Governor of the Bank of Japan and later Finance Minister. He used his influence in these positions, almost exclusively to gain funding for the expansion of heavy industry. In addition, other zaibatsu members received top positions in the Ministry of the Imperial Household, the House of Peers and the Privy Council. Another high political post, that of Minister of Commerce and Industry, was frequently filled by a zaibatsu executive or an appointee of the zaibatsu. Conversely, retired admirals, generals and career bureaucrats

<sup>1</sup>Ibid., p. 180.



TABLE 9

## BRANCH OPERATIONS OF SELECTED ZAIBATSU IN THE GREATER EAST ASIA TERRITORIES

	Mitsubishi			Mitsui			Sumitomo	
	Heavy Indus.	Trading	Mining	Elect.	Ship-bldg.	Trading	Mining	Chemical Industry
Formosa		3	1	1		2		
Korea		5				5		
Manchuria		7				12		
Occupied China		27			1	26		2
Peking			1				6	
Shanghai	1				2			
HongKong					1			1
Philippines							1	
French Indo China		2	1			1		
Siam		3				1		
Burma		1				1		
Malaya	1	7	1			2		
Sumatra		4	2			4	2	
Java		3				3		
Celebes		2				3		
Borneo		1				1	2	
Hainan Island							1	

Source: Hadley, Business Power, pp. 355-358.



found high positions in the zaibatsu thus completing the circle of power and influence.

The period then from 1930-37 showed tremendous expansion of the Japanese industrial and trading base. The volume of exports increased 89 percent between 1929 and 1937, while imports increased by only 30 percent. Although dependent upon her imports (more than 50 percent of exports required raw materials which were imported), Japan became the world's fourth largest exporter and had the third largest merchant marine.<sup>1</sup> Table 10 shows the 1935-38 increase/decrease of industrial production in terms of a 1931-33 base of 100. Decreases in the textiles and cement/glass industries which took place between 1937 and 1938, have been attributed to conversion of plants to munitions production as well as the changeover of equipment for the purpose of manufacturing machine tools.

In 1937, the government withdrew its previously indulgent policy toward industry and attempted to subject it to control and regulation in order to increase production of war material and channel essential supplies into the war effort. This prompted a six-year struggle (1937-43) between the zaibatsu and the military. Thus, while cooperating with the government on one hand, the zaibatsu managed to wage a relatively successful campaign against complete nationalization of industries and loss of their economic and management control. On March 24, 1938,

<sup>1</sup>U. S. Army, U. S. Army Area Handbook for Japan (2nd ed.; Washington, D. C.: U. S. Government Printing Office, 1964), p. 735.



TABLE 10

INDEX OF PHYSICAL VOLUME OF INDUSTRIAL PRODUCTION  
(Monthly Average, 1931-3=100)

Year	General Index	Minerals	Iron, Steel and Machinery	Chemicals and Glass	Cement	Tex- tiles	Paper	Food & Drink	Producer Goods	Consumer Goods
1935 <sup>a</sup>	139	124	184	162	131	128	126	110	153	125
1936 <sup>a</sup>	149	138	210	193	132	128	134	112	172	125
1937 <sup>a</sup>	167	150	252	221	149	140	156	114	198	137
1938 <sup>a</sup>	172	160	295	228	130	133	143	117	220	124

<sup>a</sup>Monthly average.

Source: Allen, Japanese Industry, p. 49.





a National General Mobilization Bill was enacted which empowered the government to "regulate production, distribution, prices, wages, exports, and imports; to pay subsidies; to build stockpiles; and to control capital issues."<sup>1</sup> This bill also gave the government authority to mobilize manpower and impose censorship on public communications channels during emergency periods. In addition, some industries were nationalized and a substantial group of "national policy" companies established. Table 11 details the nationalized and national policy companies. The latter were, for the most part, owned jointly by the government and private investment although supposedly governed by relevant ministries. However, "they were hybrid agencies, in which much zaibatsu capital was invested and managerial personnel was drawn from the combines rather than from the bureaucracy."<sup>2</sup> Their advantages lay in the fact that they were exempt from taxes for a period of years; able to obtain credit at low rates; given special subsidies; the investors were guaranteed a minimum dividend (usually at least 4 percent); and were often granted priority to obtain capital equipment and raw materials. As was indicated in Chapter II, combines joined together to economically exploit the rich resources through the mechanism of the national policy companies. Since the proclamations of

<sup>1</sup>Ibid., p. 656.

<sup>2</sup>Bisson, Zaibatsu Dissolution, p. 13.



TABLE 11

## NATIONAL POLICY COMPANIES

Japanese Name	English Name	Date Established	Government Participation
<u>Colonization and Economic Development</u>			
Minami Manshu Tetsudo KK	South Manchurian Railroad Co.	Dec. 1906	50%
Toyo Takushoku KK	Oriental Colonization Co.	Jan. 1909	--
Nanyo Kohatsu KK	South Seas Development Co.	Nov. 1919	--
Sen-Man Takushoku KK	Korea-Manchuria Coloniz. Co.	Sep. 1936	--
Tohoku Kogyo KK	North Eastern Industry Co.	Oct. 1936	53%
Tohoku Shinko Pentroku KK	North Eastern Elec. Power Dev.	Oct. 1936	--
Nanyo Takushoku KK	South Seas Colonization Co.	Nov. 1936	--
Taiwan Takushoku KK	Formosa Colonization Co.	Nov. 1936	--
Nichinan Kogyo KK	Japan Industrial Co.	--	--
Manshu Takushoku Kosha	Manchuria Colonization Co.	Sep. 1937	72%
Manshu Jukogyo Kaihatsu KK	Manchuria Industrial Dev.	Dec. 1937	36%
Kita Shina Kaihatsu KK	North China Development Co.	Nov. 1938	33%
Naka Shina Shinko KK	Central China Development Co.	Nov. 1938	57%
Karafuto Kaihatsu KK	South Sakhalin Develop. Co.	Jul. 1941	67%
Toa Kaiun KK	East Asia Shipping Co.	Nov. 1941	---
Manshu Toshu Shoken	Manchuria Inv. Securities Co.	Jun. 1941	0%
<u>National Monopolistic Industries</u>			
Kokusai Denki Tsushin KK	Int'l Telecommunications Co.	Apr. 1937	50%
Nippon Hassoden KK	Japan Elec. Gen. & Trans. Co.	Apr. 1939	0%
Dai Nippon Koku KK	Japan Airways Co.	Aug. 1939	37%
<u>Key Industries for National Defense</u>			
Taiwan Denryoku KK	Formosa Elec. Power Co.	Aug. 1919	15%
Teikoku Nemryo Kogyo KK	Imperial Fuel Develop. Co.	1934	51%
Nihon Seitetsu KK	Japan Iron Mfg. Co.	Jan. 1934	57%
Nihon Sankin Shinko KK	Japan Gold Prod. Dev. Co.	1938	50%
Teikoku Kogyo Kaihatsu KK	Imperial Mining Dev. Co.	Aug. 1939	39%



TABLE 11--Continued

Japanese Name	English Name	Date Established	Government Participation
Chosen Kogyo Kaihatsu KK	Korea Mining Develop. Co.	Aug. 1940	--
Chosen Magnesito Kaihatsu KK	Korea Magnesite Develop. Co.	Jun. 1941	--
Teikoku Sekiyu KK	Imperial Petroleum Co.	Sep. 1941	--
Nihon Sekiyu KK	Japan Petroleum Co.	--	50%
<u>Finance</u>			
Yokohama Shokin Ginko	Yokohama Specie Bank	Feb. 1880	0%
Nihon Ginko	Bank of Japan	Oct. 1882	55%
Nihon Kangyo Ginko	Hypotheec Bank of Japan	Jul. 1897	0%
Hokkaido Takushoku Ginko	Hokkaido Colonization Bank	Feb. 1899	3%
Taiwan Ginko	Bank of Formosa	Aug. 1899	1 1/2%
Nihon Kogyo Ginko	Industrial Bank of Japan	Mar. 1902	0%
Chosen Ginko	Bank of Korea	Nov. 1909	4%
Chosen Shokusan Ginko	Korea Colonization Bank	Oct. 1918	0%
--	South China Bank	Jan. 1919	--
Manshu Chuo Ginko	Bank of Manchukuo	Jun. 1932	--
Chosen Shintaku KK	Korea Trust Co.	Nov. 1932	--
--	Korean Cooperative Cr. Union	Aug. 1933	--
Manshu Kogyo Ginko	Manchurian Develop. Bank	Nov. 1936	--
Moko Ginko	Bank of Mongolia	Nov. 1937	--
--	Federal Reserve Bank of China	Feb. 1939	--
--	Central Reserve Bank of China	Jan. 1941	--
--	Southern Development Bank	Feb. 1942	100%
Sonji Kinyu Ginko	War-time Finance Bank	Mar. 1942	67%
--	National Reconstruction Bank	--	99%
--	United Funds Bank	Feb. 1945	--
--	Overseas Fund Bank	Feb. 1945	100%

Source: Hadley, Business Power, pp. 382-389.





the "New Order in East Asia" and the "Greater East Asia Co-Prosperity Sphere" contained provisions for making (under Japanese economic and political control) the Empire self-sufficient, it thereby provided for a wider and firmer economic base in industrial and trading power. Therefore, the zaibatsu, while not concurring with some of the methodology employed by the militarists, were in accord with the general policy and eager to see military expansion continue.

As in conservative politics, zaibatsu combines split military interests. Mitsui became closely associated with Army interests while Mitsubishi became tied to the Navy and Merchant Marine. Shinka zaibatsu were mainly aligned with the Army. In that military budget or expenditures (Table 12) represented such a high percentage of national income or total state expenditures as appropriate, and the services, rather than the home domestic market, were the prime customers of the zaibatsu, alignment with a particular service did no harm. This was especially true due to the immensely broad base from which the combines operated.

During July and August of 1940, all political elements were "invited" to dissolve and in October 1940, the Taisei Yokusan Kai (Imperial Rule Assistance Association) was established as a single mass organization with the role of uniting the people to the government and its policies. The zaibatsu hastened to join this new group and, in fact, some



TABLE 12

## JAPANESE MILITARY EXPENDITURES, 1930-1941

Military Expenditures as % of Total State Expenditure			
Fiscal Year	Army	Navy	Total
1930	13.09	15.41	28.50
1931	12.89	15.54	28.43
1932	15.40	15.38	30.78
1933	19.16	16.04	35.20
1934	20.52	18.18	38.70
1935	20.41	21.51	41.92

Military Expenditures as % of National  
Income

1936	6.80
1937	22.00
1938	29.40
1939	24.70
1940	22.80
1941	44.40

Source: Rearranged from data in Hadley, *Business Power*, pp. 325-326.



family members and executives became leaders of the movement.<sup>1</sup>

Since the zaibatsu had now become fully committed to expansionist policies, they intensified previous intelligence activities on behalf of the government in the non-military areas (e.g., political, economic and psychological).

S. A. Francaise Bussan (Mitsui Trading's French correspondent) . . . issued a daily report entitled "Information de Paris" which ranged from one to twenty pages. The . . . person writing this report read all the great French dailies and also certain Italian papers in preparation. Magazines including scientific journals were also systematically reviewed for it. While the . . . (report) . . . mentioned whatever military data appeared in the press and journals or came the company's way, the bulk of the report dealt with such subjects as industrial capacity, inventions, labor (particularly strikes) and political developments.<sup>2</sup>

However, intelligence activities were not confined to Europe. The following examples were extracted from correspondence originated by the San Francisco branch of Mitsubishi Trading:

Date: 7 August 1939  
To: The Seattle Branch Office

In view of the fact that the Development Department, Tokyo, recently requested us to send as much reports on subjects of interest . . . , it is our mutual desire to make these reports originating in your office, as well as this office, as complete as possible. . . . I therefore propose the following arrangement for the future in regard to reports on aircraft industry . . . .:

<sup>1</sup>Later, in May 1942, the Taisei Yokusan Seiji Kai (Imperial Rule Assistance Political Association) was formed as a complimentary organization to operate specifically in the political areas in behalf of the war effort. As was the case in the parent organization, zaibatsu members became leading figures in this movement.

<sup>2</sup>Hadley, Business Power, p. 252.



(a) Your office shall report on material gathered from your local newspapers and what you hear locally in your territory only.

(b) This office shall report from our local news materials . . . , the "Wall Street Journal (Pacific Coast Edition)" and also on materials from national newspapers and magazines.<sup>1</sup>

.....  
Date: 7 June 1941

To: Manager, Fuel Department, Head Office, Tokyo

Subj: Competitive Bulk Oil Shipment from Los Angeles Harbor

One striking thing noticed in the list (of oil shipments) aside from purely our business standpoint is the fact that a large amount of fuel and diesel fuel oils and gasoline in a minor degree are being shipped from (the) California Coast to Pearl Harbor, T. H. . . . There must have been shipment of similar materials going out of San Francisco Bay and possibly from Escondido Bay to Pearl Harbor during the same period.<sup>2</sup>

By 1941, industry had expended enormously.

The production of machine tools totaled over 46,000, more than double that of 1937, and at the end of the year Japan had a machine tool inventory of 689,163 units--a stock which was 65 percent of the United States' inventory. The motor vehicle industry was producing 48,000 units a year, and the aircraft industry was turning out over 5,000 airplanes.<sup>3</sup>

In addition, over 462,700 tons of new ship construction were launched that year.<sup>4</sup> Zaibatsu concerns were heavily committed to this effort, as can be seen from Chart VII which details, in terms of paid-in capital, the positions of the combines relative

---

<sup>1</sup>Ibid., pp. 348-349.

<sup>2</sup>Ibid., p. 348.

<sup>3</sup>U. S. Army, Area Handbook, p. 657.

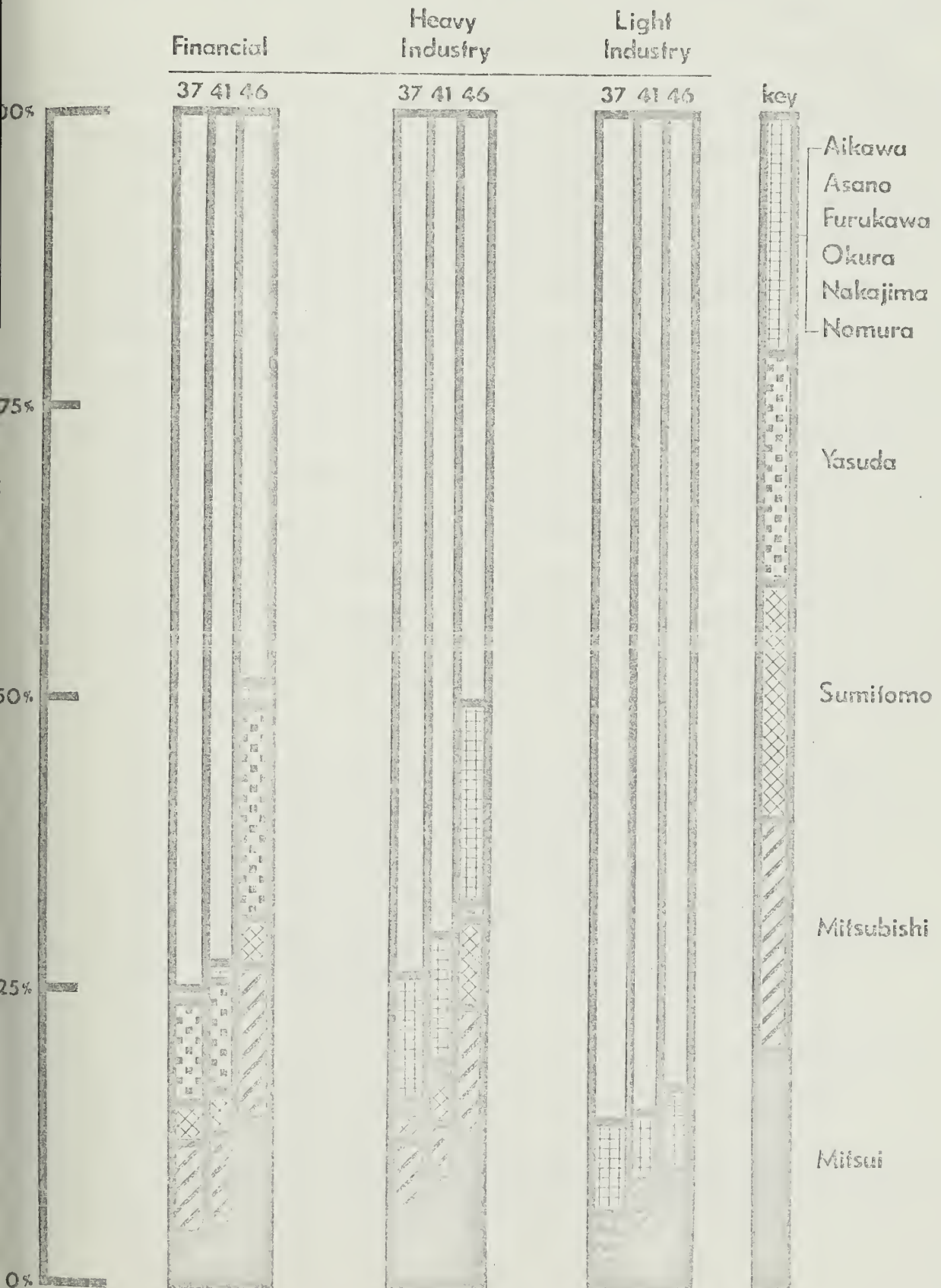
<sup>4</sup>Jerome B. Cohen, Japan's Economy in War and Reconstruction (Minneapolis: University of Minnesota Press, 1949), p. 251.





Chart VII

Market Control by the Zaibatsu in Terms of Paid-up Capital





to each other and to the economy as a whole during the years 1937, 1941 and 1946. A detailed study of the percentages involved shows the striking growth of zaibatsu power during the war years and in particular, the major combines ("Big Four"). Whereas during the period 1937-1941, growth of all zaibatsu groups was roughly equal, the Pacific War brought prodigious advances to the older and more powerful zaibatsu. These figures then serve to complete the connection between the older combines and the military, proving that, despite differences in adoption of a means to the end, the combines, on the basis of increasing economic power and profits, did support the extra-territorial designs of the military.

The aforementioned six year struggle between the military and the zaibatsu for internal economic power came to a head in 1943 when the zaibatsu staged what amounted to a sit-down strike.

If the Army-Navy Airforce General Headquarters were to insist on retaining administrative control over an expanded aircraft production program, involving complete mobilization of the industrial giants of the Japanese economy, the . . . (zaibatsu) were simply not interested. They became willing to play ball when the administrative authority was vested in a . . . Ministry (which would be) controlled by their men and operated within the framework of . . . (legislation) to which they subscribed.<sup>1</sup>

The results of these tactics came to fruition on November 1, 1943, when the Munitions Ministry (staffed by zaibatsu

<sup>1</sup>Thomas A. Bisson, "Increase of Zaibatsu Predominance in Wartime Japan," Journal of Pacific Affairs (March 1945), p. 59.



executives) was created and, in early 1944, a Munitions Company Act was passed containing carefully drawn provisions which secured the necessary centralization of administrative control, while at the same time, maintained the essentials of private control of management functions.

With the commencement of massive incendiary and saturation bombing in November 1944, the zaibatsu, contrary to previous patterns, attempted to obtain nationalization of industries to defray expenses incurred in repair/reconstruction and to control rising unrest among industrial workers. With few exceptions, the government would not support this policy, but did establish compensation payment plans for war damage. Dissent among the workers was held in check by the passage, early in 1945, of a National Labor Mobilization Law.

The successive military losses along with the heavy bombing which culminated in the atomic bombs dropped on Hiroshima and Nagasaki laid the "New Order in East Asia" to ruin and, "in the end, the zaibatsu were the victims of the system they helped to create."<sup>1</sup>

---

<sup>1</sup>Quotation by William W. Lockwood from his book, The Economic Development of Japan, as extracted from Cole, Japanese Society and Politics, p. 77.



## CHAPTER IV

### THE OCCUPATION ERA (1945-1952)

#### Introduction

In the seven years of Allied occupation, the most radical changes to the then existing Japanese social, political and economic structures occurred. With a view toward understanding these changes as a basis upon which the current Japanese political-economic philosophy rests, the chapter will closely examine the attitudes and events leading to the dissolution of the zaibatsu, purges of top business executives, major legislation affecting commerce and industry, the changes in American policy toward Japan, and the short-range effects of occupation reforms as they affected large business groups.

#### Background

When General of the Army Douglas MacArthur, Supreme Commander for the Allied Powers (SCAP), landed at Japan's Atsugi Airfield on August 30, 1945, he found a nation whose economy was completely shattered and whose major cities had been devastated by bombing. By July of 1945,

. . . the economic basis of Japanese resistance had been destroyed. . . . Electric power and coal consumption were exactly 50 percent of the peak reached in 1944; . . . overall industrial output was approximately 40 percent of the 1944 peak; (and) serviceable merchant tonnage was a little over 12 percent of the fleet with which Japan had begun the





war. Output of airframes had fallen 56 percent from the 1944 peak; aircraft engines 73 percent; merchant shipbuilding 81 percent; army ordnance 44 percent; and Naval ordnance 57 percent. . . . Oil refining had declined to 15 percent of the 1943 output (and) . . . aluminum production was only 9 percent of the 1944 peak.<sup>1</sup>

However, the reductions in industrial output were not primarily caused by bomb destruction, but rather by a lack of raw materials created by an effective American blockade of Japan. The Japanese dependency on imported raw materials was succinctly expressed by the Japanese themselves when, in 1943, the Greater East Asia Ministry admitted that "should there ever come a time when supplies of raw materials are cut off, we cannot but predict that the continuation of this modern war will become almost impossible."<sup>2</sup> Again, in 1945, in analyzing the effects of "urban area bombing on (the) Japanese war time economy,"<sup>3</sup> a committee from Tokyo Imperial University stated:

Before the first heavy strategical air raid started, the . . . (industrial) production of Japan had already been thrown into a desperate condition by the effective ocean blockade by the Allied forces. . . . According to the data of the economic mobilization plan which can be regarded as an index-number to the economic strength of our country, Japan was forced to the verge of collapse in the third quarter of 1944.<sup>4</sup>

---

<sup>1</sup>Cohen, *Japan's Economy*, pp. 108-109.

<sup>2</sup>*Ibid.*, p. 110.

<sup>3</sup>*Ibid.*, p. 58.

<sup>4</sup>*Ibid.*



However, the real effect of the bombing was felt elsewhere in Japan.

Nowhere was the urban air attack more effective than its impact upon the civilian sector of the economy. . . . In the 66 towns attacked, approximately 50 percent of the housing facilities . . . were destroyed. In all, 2,502,000 dwelling units were destroyed by air attack while an additional 614,000 were torn down by the Japanese themselves . . . to clear firebreaks. . . . Thus . . . approximately 22 million Japanese or 30 percent of the civilian population were routed out of their established homes.<sup>1</sup>

Although what remained of Japan's manufacturing capability immediately subsequent to the termination of hostilities was outmoded or worn down, Allied authorities estimated that:<sup>2</sup>

- a. Heavy production machinery was 73 percent usable.
- b. Power producing machinery was 28 percent usable.
- c. Precision production machinery was 88 percent usable.
- d. Automobile production equipment "did not sustain major damage from air raids."
- e. Railroad rolling stock production equipment for
  - (1) Locomotives was 72 percent usable
  - (2) Passenger and electric cars was 70 percent usable
  - (3) Freight cars was 82 percent usable.
- f. Communications production capability was 10 percent.
- g. Wire and cable production capability was 60 percent.
- h. Electrical equipment production capability was 55-65 percent.

<sup>1</sup>Ibid., pp. 353, 406-408.

<sup>2</sup>SCAP, Summation of Non-Military Activities in Japan and Korea for September-October 1945, No. 1 (SCAP-GHQ; Tokyo, January 1946), pp. 48-54.



### Occupation Economic Policies

The initial policies upon which SCAP actions were based started in an outpouring of bitterness toward Japan and the ensuing confusion of the surrender finally manifested itself in a primary desire to disarm Japan, completely destroy any potential for war still existing, and to exact reparations in repayment for Japanese aggression. In a radio address, President Harry S. Truman said, "The evil done by the Japanese warlords can never be repaired or forgotten. But their power to destroy and kill has been taken from them."<sup>1</sup> As an extension of these thoughts, initial occupation policy was designed to

. . . insure that Japan will not again become a menace to the United States or to the peace and security of the world. . . . The existing economic basis of Japanese military strength must be destroyed and not be permitted to revive. . . . To this end, it shall be the policy of the Supreme Commander . . . to favor a program for the dissolution of the large industrial and banking combinations which have exercised control of a great part of Japan's trade and industry.

. . . . . The policies of Japan have brought down upon the people great economic destruction and confronted them with the prospect of economic difficulty and suffering. The plight of Japan is the direct outcome of its own behavior, and the Allies will not undertake the burden of repairing the damage.<sup>2</sup>

---

<sup>1</sup>Harry S. Truman, "Radio Address Coincident with Surrender Ceremonies, September 1, 1945," as published in the U. S. Department of State, Occupation of Japan (Publication 2671, Far Eastern Series 17, Washington, D. C.: Government Printing Office, 1946), p. 65.

<sup>2</sup>U. S. Department of State, War and Navy, United States Initial Post-Surrender Policy for Japan as published in the U. S. Department of State, Occupation of Japan, pp. 78-79.



On November 1, 1945, the Joint Chiefs of Staff gave direction to SCAP as follows:

It is the intent of the United States Government to encourage and show favor to:

- a. Policies which permit a wide distribution of income and of ownership of the means of production and trade.
- b. The development of organizations in labor, industry, and agriculture organized on a democratic basis.

Accordingly, you will:

1. Require the Japanese to establish a public agency responsible for reorganizing Japanese business in accordance with the military and economic objectives of your government. You will require this agency to submit, for approval by you, plans for dissolving large Japanese industrial and banking combines or other large concentrations of private business control.<sup>1</sup>

You will not assume any responsibility for the economic rehabilitation of Japan or the strengthening of the Japanese economy. You will make it clear to the Japanese people that you assume no obligation to maintain any particular standard of living in Japan.<sup>2</sup>

The Allies chose to primarily reduce Japan's war-making potential by exacting reparations. To this end, President Truman appointed Edwin W. Pauley as his representative on reparations. On March 1, 1946, the Pauley Report, among other things, urged that:

The Allied Powers should take no action to assist Japan in maintaining a standard of living higher than that of neighboring Asiatic countries injured by Japanese aggression. . . . Under this principle, a broad view should be taken of the economy, and especially of the varying degree of

<sup>1</sup>JCS Staff Directive 1380/15, as published in Bisson, *Zaibatsu Dissolution*, p. 240.

<sup>2</sup>JCS Staff Directive 1380/15, as published in Cohen, *Japan's Economy*, p. 417.





industrialization of Eastern Asia as a whole. The overall aim should be to raise and to even up the level of industrialization. This aim can be served by considered allocation, to different countries, of industrial equipment exacted from Japan as reparations. Reconstruction is an urgent need of all the countries against which Japan committed aggression. Reconstruction is also needed in Japan. In the overall comparison of needs, Japan should have the last priority.

... (The) zaibatsu ... are the greatest war potential of Japan. It was they who made possible all Japan's conquests and aggressions. . . . Unless the zaibatsu are broken up, the Japanese have little prospect of ever being able to govern themselves as free men. As long as the zaibatsu survive, Japan will be their Japan.<sup>1</sup>

As a result of the initial hard-line policy, Japanese industrial recovery during the first years of the occupation was slow, with production, by 1947, only 40 percent of a 1930-1934 base<sup>2</sup> which was only slightly higher than it was when the war ended.

### Zaibatsu Dissolution

With regard to the zaibatsu

. . . there was no difference of opinion among the Allies about the desirability of economic deconcentration in Japan. Differences concerned only what should replace Japan's system of private collectivism. The United States wanted free private competitive enterprise, and under the circumstances, this policy prevailed. Most broadly put, . . . (this) called for removal of the zaibatsu families from their position of business power and severing the ties--ownership, personnel, credit, contracts--which bound the

<sup>1</sup>Edwin W. Pauley, Report on Japanese Reparations to the President of the United States (U. S. Department of State Publication 3174, Far Eastern Series 25, Washington, D. C.: Government Printing Office, 1946), pp. 6-7, 39-40.

<sup>2</sup>U.S. Army, Area Handbook, p. 659. Although later abandoned, the Allies had agreed that the average industrial production for the years 1930-1934 should be used as a base for determining Japanese peacetime requirements.



component corporations into combine structures. Proposed, but essentially abandoned, was an effort to split up certain of the giant operating companies of the combines.

The aim of the Allied . . . program was to give all Japanese businessmen the opportunity to engage in the modern sector of the economy, that is, to remove those conditions which in fact made it a private collectivism. The aim was to broaden the basis of ownership in the modern sector from a handful of business families of giant fortunes to ownership by the many. . . . (The goals) were conceived not in idealism but because political democracy in Japan was regarded as essential to the security interests of the Allies, and because political democracy and economic democracy were viewed as inextricably related.<sup>1</sup>

Combine deconcentration took three major forms: first, the broadening of the ownership base by severing current ownership ties via confiscation of stock, dissolution and/or reorganization of specific companies; second, the severing of personnel ties; and third, the passage of major legislation with regard to monopoly and deconcentration. Immediate action was initiated by SCAP when, on October 22, 1945, SCAPIN 177<sup>2</sup> directed that fifteen designated zaibatsu holding companies, within forty-five days, submit data on their complete financial and asset structure as well as on that of their subsidiaries. Shortly thereafter (October 31, 1945), SCAPIN 215 stated that "no sale, trade, or other transfer or adjustment of the capital stocks, bonds, debentures, voting trust or other forms of capital securities"<sup>3</sup> could be made without prior approval of

<sup>1</sup>Hadley, Antitrust, pp. 10-11, 19.

<sup>2</sup>SCAPIN is an acronym for "SCAP Instruction."

<sup>3</sup>Iwao Hoshii, Japan's Business Concentration (Orient/West, Publishers, 1969), p. 4.



SCAP by the fifteen designated zaibatsu holding companies. The directive went on to say that the same restriction applied to "any corporation, partnership or stock company" in which they "hold any stock or other evidences of ownership, indebtedness or control, or directly exercise any power of management or direction."<sup>1</sup>

In the meantime, Japanese Finance Minister Shibusawa Keizo had been involved with the four major zaibatsu (Mitsui, Sumitomo, Yasuda and Mitsubishi) with regard to dissolution. Of the voluntary plans recommended, the one by Yasuda was acceptable and, on November 4, 1945, it was submitted by Shibusawa to SCAP. Two days later, SCAPIN 244 approved the plan with some modifications. Under the Japanese proposal (known as the Yasuda Plan), the Mitsui Honsha, Yasuda Honzensha, Sumitomo Honsha and the Kabushiki Kaisha Mitsubishi Honsha were to transfer "all securities owned by them and all other evidences of ownership or control of any interest in any firm, corporation or other enterprise"<sup>2</sup> to a Holding Company Liquidation Commission (HCLC), which was to be established. The HCLC was to rapidly liquidate all assets by sale of securities to the public with preference of purchase being given to company employees. However, the quantity of shares purchased

<sup>1</sup>Bisson, Zaibatsu Dissolution, p. 81.

<sup>2</sup>Ibid., p. 241. Bisson presents the complete text of the "Yasuda Plan" and SCAPIN 244 as Appendix 2.



by any individual would be limited and neither the holding company itself nor any members of the controlling families would be able to make any purchases. Upon completion of the liquidation, the former owners were to receive the amount tendered in interest bearing (later agreed upon to be 3 percent) government bonds, with a maturity of not less than ten years and which were "non-negotiable, non-transferable except by inheritance, and ineligible for use as collateral."<sup>1</sup> In addition, family members would resign immediately from any business positions held and immediately subsequent to the transfer of ownership to the HCLC, the directors and auditors would also resign all offices held by them in the holding company.

To the above, SCAP added the following major provisions:

1. The government was to immediately freeze the assets of all designated holding companies and the controlling families.
2. The government was to submit "plans for the dissolution (of other) industrial, commercial, financial and agricultural combines."
3. The government was to present its program for enacting "laws as will eliminate and prevent private monopoly and restraint of trade, undesirable interlocking directorates, undesirable intercorporate security ownership and assure the segregation of banking from commerce, industry and agriculture. . . ."<sup>2</sup>

On December 8, 1945, SCAP issued two more primary directives. The first, SCAPIN 403, specifically listed 18 holding companies and 336 subsidiaries and affiliates in a "Schedule of Restricted Concerns" which banned security

<sup>1</sup>Ibid., p. 242.

<sup>2</sup>Ibid., p. 244.





transactions on their part. From this total of 354 companies, the Schedule was modified several times so that a new total of 1203 holding companies, subsidiaries and affiliates were eventually listed. A complimentary order, SCAPIN 408, directed that the assets of "restricted companies" be controlled so as to prevent dissipation.

Since all SCAP directives had to be applied through the mechanism of Japanese law and enforced by the Japanese themselves, several legal instruments came into being to facilitate dissolution actions. The first of these was entitled an "Ordinance Concerning Restrictions on the Dissolution of Companies" (Ordinance No. 657, November 20, 1945) which backed up SCAPIN 403 and 408 and froze the assets of all "restricted firms" and prohibited the reorganization of companies that were dissolved. On April 20, 1946, Imperial Ordinance 233, established the HCLC and, to facilitate disposal of securities, a law (No. 8) was enacted on January 17, 1947 which established a Securities Coordinating Liquidation Committee (SCLC).

The HCLC designated 83 firms as holding companies and split them into two major groups, a dissolution group and a reorganization group, primarily based upon the type of holding company (pure or mixed). By the end of 1947, 16 companies were completely dissolved and went out of existence; 26 were dissolved after forming into successor companies; 11 were not dissolved but formed successor companies; and 30 remained intact after eliminating their holding company characteristics. (Table 13)



TABLE 13

## HCLC ACTIONS ON DESIGNATED COMPANIES

<u>Group I--Companies dissolved</u>		42
Second companies not established	16	
Second companies established	26	
<u>Group II--Companies not dissolved</u>		41
Second companies not established	30	
Second companies established	11	
Total		83

Source: Bissen, Zaibatsu Dissolution, p. 113.

During the course of events the HCLC received a total value of 7,531,655,875 yen in stocks and bonds of the 83 holding companies previously mentioned and the 56 designated "zaibatsu persons."

TABLE 14

## HCLC SECURITIES DISPOSAL

Source	Shares (Paid-up Value)	Bonds (Face Value)	Total
Zaibatsu families	448,393,784	8,555,092	456,948,876
83 Holding Companies	7,026,735,548	47,971,451	7,074,706,999
Total	7,475,129,332	56,526,543	7,531,655,875 <sup>a</sup>

<sup>a</sup>The original data showed a grand total of 7,571,655,876 but has been corrected for mathematical errors and rearranged.

Source: HCLC, Japanese Zaibatsu and their Dissolution, p. 289 as reproduced in Hadley, Antitrust, p. 186.



By November 1949, of the total of 165,673,117 shares of stock received by the HCLC, 113,324,000 had been sold for 8,364,403,000 yen and when the disposal was complete in June 1951, the net proceeds were 9,600,000,000 yen. Table 15 shows sales from June 1947 through October 1949 and illustrates that there were other government programs involved with the sale of stock other than just the HCLC.

Under the capital levy tax of October 1946, payment of an extraordinary tax was permitted in kind. Accordingly, the Finance Ministry held stock which needed to be disposed of to the public. There was also a disposal program because of stock held in other corporations by "closed institution" . . . (which) were corporations that had been integrally involved in Japan's program of expansion . . . or in controlling allocation and distribution in the wartime economy, such as the myriad control companies and . . . associations. Finally, there was a securities disposal program under the Anti-monopoly law supervised by the FTC (Fair Trade Commission).<sup>1</sup>

#### Personnel Purge

The objective of the SCAP personnel purge was, as stated in JCS Directive 1380/15 of November 1, 1945, "to eliminate all persons who have been active exponents of militant nationalism and aggression."<sup>2</sup> To this end, paragraph 23 of the Directive specified that "in the absence of evidence . . . to the contrary, you will assume that any persons who have held key positions of high responsibility since 1937 in industry, finance, commerce or agriculture have been active

<sup>1</sup>Hadley, Antitrust, p. 181.

<sup>2</sup>Bisson, Zaibatsu Dissolution, p. 158.



TABLE 15

SECURITIES DISTRIBUTED BY THE SECURITIES  
COORDINATING AND LIQUIDATION COMMISSION  
June 1947 to November 1945

Classified by Offering Organization

Distributing Agency	No. of Shares (1,000)	Proceeds (1000 yen)
HCLC	113,324	8,364,403
CILC (Closed Institutions)	37,867	2,121,744
Government (Finance Ministry)	27,441	1,740,447
Bank of Japan	195	80,644
Others	101	5,930
Total	178,928	12,313,168

Classified by Means of Disposal

Type of Sale	No. of Shares (1,000)	Proceeds (1000 yen)
General (including local tender)	56,370	4,913,486
Underwriting Sales	63,958	4,232,124
Employee Sales	44,554	2,094,588
General (including local sales)	12,792	952,650
Consignment Sales	701	26,716
Off-Market Sales	553	93,604
Total	178,928	12,313,168

Source: Hadley, Antitrust, p. 188.





exponents of militant nationalism and aggression."<sup>1</sup> Thus, on January 4, 1946, SCAPIN 550 was promulgated which covered purges in the political, governmental and military sectors. However, it was later modified to include the strict provisions of paragraph 23. In total, 1,966 persons, as shown in Table 16, were purged under the economic sections of this order.

To fill in gaps left by SCAPIN 550 and to "eradicate (the) personal tie which has served influentially for the formation and maintenance of the zaibatsu enterprises,"<sup>2</sup> on January 7, 1948, the Japanese government declared the "Law for Termination of Zaibatsu Family Control" (Law No. 2). The law called for retirement of all zaibatsu family members who were then "for ten years . . . (to) be excluded from positions of officials in . . . (the particular combine) and . . . prohibited from conducting any activities which belong to the competence authorized only for officials in such companies."<sup>3</sup> The same conditions applied to top executives (i.e., directors, staff members with executive responsibility, auditors, and advisers with equal or greater authority or influence) who held positions prior to September 2, 1945. There is a wide disparity between source data figures as to the number of

<sup>1</sup>Ibid.

<sup>2</sup>Quotation from Article 1, Law for Termination of Zaibatsu Family Control (Law No. 2, January 7, 1948) as presented in total in Bisson, Zaibatsu Dissolution, pp. 293-301.

<sup>3</sup>Ibid., Article 4.



TABLE 16

## ECONOMIC PURGE RESULTS UNDER SCAPIN 550

SCAPPIN 550	Barred or Removed	Provisional Designation <sup>a</sup>	Total
Category E			
Government Financial Org.	26	207	233
Government Development Org.	17	184	201
Sub-Total	43	391	434
Reinstated	1	2	3
Sub-Total	42	389	431
Category G			
Semi-gov't and Others	200	0	200
Business Companies	439	914	1353
Sub-Total	639	914	1553
Reinstated	0	18	18
Sub-Total	639	896	1535
Total	681	1285	1966

<sup>a</sup>Under the provisions of this category, all specified key officers who resigned or were "out of office" at the time of the purge were designated as falling within the provisions of SCAPIN 550. If such an officer wished to appeal his case, he could do so within a 30 day period. If appeal was not made, he was purged by "provisional designation."

Sources: Combined data from Bisson, Zaibatsu Dissolution, p. 155 and Hadley, Antitrust, pp. 92-93.



people actually purged under Law No. 2. Because the writer is unable to reconcile these sources to come up with a valid composite figure, Table 17 presents both extremes.

TABLE 17

## PURGE RESULTS UNDER LAW NO. 2 OF 1948

## First Source

Company officers affected		3489
Applications of exception	741	
Disapproved	50	
Approved		691
Company officers purged		2798

Note: This may not have taken into account those persons already purged under SCAPIN 550, resigned, retired or dead.

Source: Bisson, Zaihatsu Dissolution, p. 175.

## Second Source

Company officers affected		3668
Applications of exception	715	
Disapproved <sup>a</sup>	101	
Approved		614
Sub-Total		3054
Latent appointees, resigned or retired 1931 to 1945	1673	
Removed by SCAPIN 550	758	
Deceased	623	
		3054
Net additional officers purged		0

<sup>a</sup>Of the 101 disapproved exceptions, only 40 were actually removed with the remaining 61 temporarily retained. Therefore, the net results of Law No. 2 were, in reality, the purging of 40 officers.

Source: Hadley, Antitrust, p. 102.



### Major Legislation

Two pieces of major economic legislation came from the occupation which had far-reaching effects on the Japanese economy. First, on April 14, 1947, an antimonopoly law, the "Law Relating to (the) Prohibition of Private Monopolies and the Maintenance of Fair Trade" (Law No. 54), was enacted. Second, a deconcentration law, called the "Law for the Elimination of Excessive Concentration of Economic Power" (Law No. 207), was promulgated on December 18, 1947.

#### The Antimonopoly Law

Law No. 54 was based upon a draft proposal submitted to the Japanese government by the Anti-Trust Division of the U. S. Justice Department and, when enacted, was "patterned after the Federal Trade Commission Act and the Clayton (Anti-Trust) Act."<sup>1</sup> It consisted of ten chapters incorporating 114 articles. The objectives of the act are found in Article 1 as follows:

This Law, by prohibiting private monopolization, unreasonable restraint of trade and unfair methods of competition, by preventing excessive concentration of power over enterprises, and by excluding undue restrictions of production, sale, price, technology, etc., through combinations and agreements, etc., and all other unreasonable restraints of business activities, aims to promote free and fair competition, to stimulate the initiative of entrepreneurs, to encourage business activities of enterprises, to heighten the levels of employment and national income and, thereby, to promote the democratic and wholesome development of national economy as well as to assure the interest of the general consumer.<sup>2</sup>

<sup>1</sup>Yamamura, Economic Policy, p. 10.

<sup>2</sup>Ibid., Appendix IV. Yamamura presents the first six chapters of Law No. 54 both in its original wording and also in the wording changed by the 1953 amendment.





Because of the law's relative importance, the substantive portions of the legislation are summarized in Appendix II.

During the occupation period, there was one major revision to the antimonopoly law. On January 18, 1949, an amendment (Law No. 214) was enacted which:<sup>1</sup>

1. Narrowed the definition of the term "competition" to mean either "supplying the same or similar goods or services to the same customers or consumers" or "receiving supply of the same or similar goods or services from the same supplier."

2. Deleted the prohibition from one company's owning in excess of 25 percent of another company's debentures.

3. Changed the FTC review of security transactions to one which was after the fact vice before it.

4. Relaxed the provisions regarding mergers and interlocking directorates.

5. Deleted the clause in Article 6 which had prohibited entering "an (international) agreement or contract relating to restriction on exchange of scientific or technological knowledge or information necessary for business activities."

### Deconcentration Law

On December 18, 1947, a deconcentration law (No. 207) was executed. The rationale for the law was stated in a SCAP news release published in the Nippon Times the same day, which said:

Its broad intention is to establish a reasonable basis for competition and freedom of enterprise through the elimination of those concentrations of economic power which stifled efficiency as well as freedom. . . . It is essential to recognize that this Deconcentration Law is not intended to hamper large-scale production or to prevent efficiently integrated

<sup>1</sup>Bisson, Zaibatsu Dissolution, pp. 188-190.



enterprises. . . . Likewise it should be clear that the . . . law does not establish any maximum or minimum size for business enterprises and it is to be administered by weighing carefully the actual facts characterizing each company affected by the Law.<sup>1</sup>

The essence of the law was contained in Articles 3 and

6. Article 3 defined

. . . an excessive concentration of economic power . . . as any private enterprise conducted for profit, or combination of such enterprises, which by reason of its relative size in any line or in the cumulative power of its position in many lines, restricts competition or impairs the opportunity for others to engage in business independently, in any important segment of business.<sup>2</sup>

Article 6 stipulated that the HCLC would make standards for determining what would constitute "excessive concentration" based upon consideration of certain defined criteria, (Appendix III).

Subsequently, the HCLC published two public notices, the first on February 8, 1949 which specified its rules of procedure, and the second on the same day, which enumerated the standards to be applied in determining excessive concentrations.<sup>3</sup>

In July 1948, SCAP, through the HCLC, excluded the former zaibatsu banks from the provisions of Law 207, giving as a reason that the banks had been segregated from the holding

<sup>1</sup>Hadley, Antitrust, pp. 110-111.

<sup>2</sup>Quotation from Article 3, Law 207, as presented in its entirety in Appendix 5 of Bisson, Zaibatsu Dissolution, pp. 262-268.

<sup>3</sup>Complete texts of HCLC Public Notices No. 1 and No. 2 appear as appendices 6 and 7, respectively, in Bisson, Zaibatsu Dissolution.



companies which were being reviewed under the anti-monopoly act. They also announced that the provisions of the law would not be put into effect until after a board from the U. S. had reviewed the law in terms of the condition of the economy. The Review Board, chaired by Joseph V. Robinson, arrived in Japan on May 4, 1948 and on September 11 issued four principles to be followed during the implementation of the deconcentration law:

1. No order should be issued under the . . . law unless there is a showing of a prima facie case that the company restricts competition or impairs opportunity for others to engage in business. In the absence of such a showing, the company should be removed from designation.
2. Mere possession of nonrelated lines of business is not in itself sufficient in any case to establish that a company was an excessive concentration under Law No. 207.
3. Submission of a voluntary plan of reorganization is not in itself sufficient to confer upon the HCLC authority to issue an order under Law No. 207.
4. The action a company is ordered to take by the HCLC under Law No. 207 should be directly related to the facts upon which that company was determined to be an excessive concentration.<sup>1</sup>

Table 18 shows the final results of deconcentration actions as taken by the HCLC under the provisions of Law No. 207. In 1950, and within the framework of certain prior enactments, the HCLC was divested of responsibility and its functions transferred to the FTC.

#### American Policy Reorientation

American policy had made some dramatic changes over the years of the occupation and spanned the gulf between concepts

<sup>1</sup>Ibid., p. 145.



TABLE 18

## DECONCENTRATION ACTION UNDER LAW NO. 207

## Structural Changes

Company	Change
Mitsui Mitsui Mining	One coal mining and one metal mining company.
Oji Paper Oriental Can	Three pulp and paper mfg. companies. Two can manufacturing companies.
Mitsubishi Mitsubishi Heavy Ind. Mitsubishi Mining	One machinery and two shipbldg. cos. One coal mining and one metal mining company.
Sumitomo Seika Mining	One coal mining and one metal mining company.
Yasuda Imperial Textile	One rayon and two flax companies.
Nat'l Policy Co. Japan Iron & Steel	Two iron and steel companies.
Misc. Daiken Industrial Japan Beer Hokkaido Dairy Prod.	Two textile and one trading company. Two breweries. Two milk products companies; disposal of two plants

## Lesser Changes

Mitsui Tokyo-Shibura Electric	Disposal of plants.
Nissan Hitachi Works	Disposal of plants.
Nat'l Policy Co. Imperial Petroleum	Disposal of stocks and unexploited mine lots.
Japan Electric Generation and Transmission (with nine regional outlets)	Divided into nine private companies under a public commission <sup>a</sup> .
Misc. Japan Explosives Shochiku Cinema Toho Cinema	Disposal of stocks. Disposal of securities. Disposal of securities.

<sup>a</sup>Actually divided in 1951 after the HCLC was divested of responsibility and the functions turned over to the FTC.

Source: Bisson, *Zaibatsu Disolution*, p. 149.





of punishment and the resumption of massive industrial recovery efforts. The first indication of a shift in policy came in the controversy over the results of a report made by a State-War Mission on Japanese Combines led by Corwin D. Williams. The Mission, after a ten week investigation, made its report which was, in a large measure, incorporated into an American policy paper by the State-War-Navy Coordinating Committee (SWNCC). The policy was subsequently forwarded to both SCAP as an interim directive, and, in October 1949, to the Far Eastern Commission (FEC). In the latter organization, the policy became known as FEC-230. As part of its normal action, SCAP used the strong provisions contained in FEC-230 to create what turned out to be the deconcentration law (NO. 207, 1947). However, after vigorous legislative debate, the U. S., on March 12, 1948, withdrew its support from FEC-230, thereby leaving SCAP in a politically embarrassing position which called for immediate modifications to the Japanese law.

A further example of the change in philosophy, and thereby policy, was exemplified by the Draper-Johnson Mission which investigated broad economic problems in Japan and Korea. Reporting on April 26, 1948, the Committee (known as the Johnson Committee) recommended that war reparations be reduced and that large dollar grants be made to Japan so as to make "available the initial imported materials required to augment production quickly."<sup>1</sup> With regard to dissolution actions, the

---

<sup>1</sup>Report to the Secretary of the Army, "Report on the Economic Position and Prospects of Japan and Korea and the Measures Required to Improve Them," ("Johnson Committee" report), April 26, 1948, as extracted from Bisson, Zaibatsu Dissolution, p. 143.



report stated:

The period of uncertainty caused by this economic reform should be made short and the area of uncertainty lessened as rapidly as possible. The possible disturbing effects should be allayed by care not to hurt production, and by limiting reorganization to the minimum necessary to insure reasonable competition. This we understand is the intention of the occupation authorities and is further assured by their establishment of an American review board<sup>1</sup> to see that deconcentration plans do not adversely affect production and the broad program to achieve economic recovery. Care must also be taken that breaking up the zaibatsu monopolies does not lead to the growth of governmental monopolies.<sup>2</sup>

SCAP policy followed this change by tapering off the pressure on the Japanese government with regard to economic reforms. The Japanese, quick to respond to the new freedom, did so by virtually emasculating the Anti-Monopoly Law (No. 54) by their 1949 amendment.

The change in the U. S. philosophy toward Japan was manifested by many things, and, not the smallest among them was the "cold war." By 1947, not only were differences between the U. S. and the Soviet Union reaching gigantic proportions, but the U. S.-China policy of support for the Nationalists was in question. Since the Kuomintang Army had suffered many defeats at the hands of the communists despite massive American aid, and the Nationalist government was riddled with open corruption, the War Department began to realign its thoughts concerning Japan. The results were, that

---

<sup>1</sup>The "American review board" turned out to be the one chaired by Joseph V. Robinson, as previously referred to in the text.

<sup>2</sup>Bisson, Zaibatsu Dissolution, p. 144.



. . . by the end of the second year of the occupation, (the Pentagon) began to propose that Japan be promoted from "ex-enemy" to partner. Ex-enemy and partner call for quite different policies. With a partner one is concerned only with its foreign policies. With Japan as an ex-enemy, the U. S. and its allies were worried about the internal political forces that had produced the foreign expansion.<sup>1</sup>

The loss of China in 1949 to communist control, and the outbreak of the Korean War on June 25, 1950, proved this change to be effective logic.

Another basis for the shift in policy toward Japan lay in the area of the financial costs to the U. S. for the rehabilitation. For the period commencing in September 1945 and ending January 31, 1950, the government had given Japan aid in food, fertilizer and industrial raw material as follows:<sup>2</sup>

Sep 1945-Dec 1946	\$194,000
1947	404,000
1948	461,000
1949	534,000
1950	<u>351,000</u>

Total	\$1,954,000
-------	-------------

Whereas the U. S. military were in favor of this aid as it helped build the Japanese economy, thereby resisting communism, U. S. political pressure was against it in that, in accordance with the original occupation policy, Japan was to be responsible for its own economic revival. If then, the aid programs were in political jeopardy, the only real alternative left from a

---

<sup>1</sup>Hadley, Antitrust, p. 133.

<sup>2</sup>Ibid., p. 133 and footnote 11, p. 144.



foreign policy aspect, was to permit and foster the continued existence of established and large Japanese industrial concerns.

The last major area which forced the change in policy was that of politics and was based upon the American concepts of fair play with its framework in the provisions of the U. S. Constitution. The public debate which had preceded the U. S. withdrawal of support of its own policy, FEC-230, had been bitter and stressed the fact that the government was disregarding the sanctity of private property by arbitrary and quasi-legal means. This struck a responsive chord in the political sector and gave a mutual anti-authoritarian platform to both liberal and conservative politicians. Also involved closely in the political area and complimenting the FEC-230 controversy was the purge program. Whereas it was relatively easy to find a rationale for the purge of Japanese militarists and ultra-nationalists, it was not easy to apply the same rationale to top business executives. Therefore, the economic purge of personnel and the forced divestiture of stock, came under a great deal of public criticism. The feeling that prevailed could be summarized by saying that

. . . this kind of disqualification (purge) by legislative or administrative measures would certainly be considered incompatible with basic democratic postulate of due process of law, and the legality of ordering individuals to divest themselves of certain types of property whose possession (was) otherwise legal, (was) open to grave doubts.<sup>1</sup>

---

<sup>1</sup>Hoshii, Business Concentration, p. 6.





The effects of the deconcentration program are still a subject of much debate among students of the Japanese economy. Although Table 19 summarizes the short-range effects, it neither gives an indices as to the impact on the Japanese economy nor does it tell of the longer range results. These results will be taken up in Chapter V.

With the lessening of SCAP pressure and a new emphasis on rehabilitation of industry, the years 1948-1952 produced a vastly expanded Japanese economy. In 1948, because most industrial activities needed repair or modernization, and there were no reserve funds to pay for this, the Japanese government was authorized to use the proceeds from the disposition of items imported under the U. S. aid programs for that purpose. By the end of the year, despite a growing inflation, there was an upward turn in industry. To curb the inflation and thereby pave the way for Japan's reemergence as a major world trading nation, the Dodge Plan<sup>1</sup> was introduced by SCAP which, through the mechanisms of balancing the national budget, retirement of debt, discontinuance of government lending, reduction of subsidies and the establishment of a unitary rate of exchange at 360 yen to one U. S. dollar, proved effective. The slight recession which was created by the application of these deflationary measures was offset when the Korean War (June 1950) moved the economy into a period of boom.

---

<sup>1</sup>Names after Joseph Dodge, economic advisor to SCAP.



TABLE 19

SUMMARY OF DECONCENTRATION ACTIONS DURING  
THE OCCUPATION PERIOD

## HCLO Action

Outright Dissolution	16 Companies
Dissolution with Reorganization	26 Companies
Reorganization without Dissolution	11 Companies
Untouched	30 Companies

## Reorganization of "Excessive Concentrations"

Companies Split	11
Companies with Plants or Shareholding in Other Companies Affected	8

## Personnel Programs

Economic Purge	1966 Purged
Law No. 2	40 Purged

## Stock Dispersal Program

Antitrust:	
HCLO	¥8.3 billion (proceeds from sale)
FTC	¥1.3 billion (paid-up value)
Other:	
Finance Ministry (capital levy tax)	¥1.7 billion (proceeds from sale)
CILC	¥2.1 billion (proceeds from sale)
Misc.	¥0.1 billion (proceeds from sale)

Note: Data have been modified to agree with previously  
presented information.

Source: Rearranged from Hadley, Antitrust, p. 443.



The termination of the Korean War boom in the spring of 1951 did not contract the expansion of Japan's industrial production. Because the purchase of equipment, supplies and services, as well as money spent on amusements for the U. S. and U. N. troops was maintained at a high level, it provided the income necessary to procure capital equipment. This, in turn, closed the wide gap between Japan's technology and that of the West. The magnitude of industrial production changes from a period 1934-1952 is shown on Table 20.

The occupation ended April 28, 1952 under the terms of the peace treaty signed in San Francisco on September 8, 1951. From the point of view of American democratization efforts, it could be said of the occupation--"Mitsureba katuru nyo no nari-- the moon waxes and wanes; this is the way of the world."<sup>1</sup>

---

<sup>1</sup>Jerome B. Cohen, Japan's Postwar Economy (Bloomington: Indiana University Press, 1958), p. 191.



TABLE 20

INDEX NUMBERS OF INDUSTRIAL PRODUCTION  
(Weighted by value added, 1960=100)

	General	Gas and Electri- city	Mining and Manufacturing					Food & Kindred Products	
			Mining	Manu.	of which:				Textiles
					Iron & Steel	mach.	Chem.		
1934	27.0	20.1	60.1	26.4	16.6	9.4	18.9	65.8	57.5
1935	28.7	22.4	64.8	27.9	19.5	9.5	22.9	70.0	57.5
1936	32.3	24.4	71.6	31.5	21.9	11.4	27.0	74.9	58.3
1937	37.7	26.7	77.9	37.2	25.3	15.3	31.0	85.3	64.3
1938	39.0	29.1	82.9	38.2	29.0	16.8	35.4	70.4	65.2
1939	43.0	30.4	86.9	42.4	31.9	20.6	37.9	70.4	66.8
1940	44.9	31.2	93.3	44.3	32.4	25.0	37.3	65.7	58.0
1941	46.5	34.2	93.6	45.8	33.4	28.8	37.3	51.5	50.2
1942	45.3	34.2	91.5	44.5	33.4	29.9	31.1	40.7	44.6
1943	45.8	34.3	92.5	45.0	35.3	32.8	27.0	26.7	37.0
1944	46.5	34.9	92.6	46.2	36.9	38.6	24.8	14.2	30.5
1945	20.5	20.1	84.3	19.6	13.1	16.4	10.3	5.5	20.3
1946	9.1	26.0	44.7	7.4	4.7	5.0	6.0	3.1	17.1
1947	11.3	29.3	43.1	9.2	5.7	6.0	8.3	12.2	16.1
1948	14.7	31.9	52.9	12.3	9.5	9.2	10.9	13.9	19.7
1949	19.0	36.3	60.5	16.3	16.3	11.5	15.2	18.5	30.0
1950	23.0	38.8	63.6	20.4	22.9	11.9	20.8	26.4	33.5
1951	31.4	41.6	73.1	28.8	30.9	19.2	27.5	37.4	42.8
1952	32.7	44.7	75.5	31.1	31.4	19.7	30.5	42.5	44.0

Source: Ministry of Foreign Affairs, Statistical Survey of Economy of Japan 1966, p. 19.





## CHAPTER V

### THE CHANGING FACE OF JAPAN (1952-1969)

#### Introduction

In preceding chapters the structure of the zaibatsu has been presented as well as its origin and development through World War II. During the initial years of the occupation following the war, a major effort was made to democratize the economic sector in Japan by destroying the zaibatsu power structure--the major holding companies, the stock ownership base, and selected top personnel. In addition, strong deconcentration and antimonopoly legislation was enacted with the dual objectives of applying maximum pressure during the occupation period itself and preventing a reoccurrence of the zaibatsu in the future.

In this chapter, after establishing a perspective with regard to growth of the economy since 1952, an examination of the attitudes of the Japanese people with regard to business, the current laws, management personnel, political-economic structure and business groupings will be made. Such an effort will involve an analysis of not only the longer range effects of the occupation's democratization actions, but will also lead to a conclusion, as presented in the subsequent chapter, with regard to the very existence of the zaibatsu within the framework of current big business in Japan.



Economic Perspective

In order to provide a background for understanding of current Japanese business practices, selected economic statistical data are examined to describe the scope and volume of production. These data will provide an indices of growth and establish the performance of the Japanese economy. To this end:

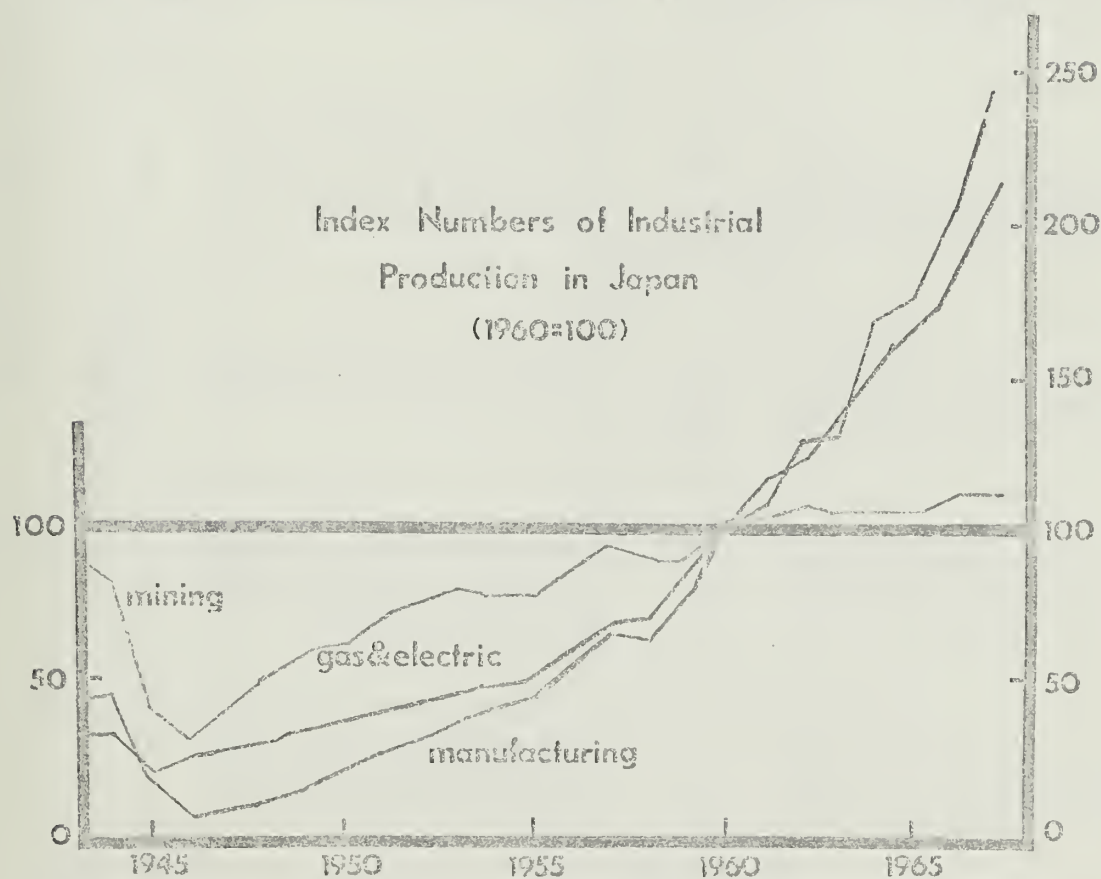
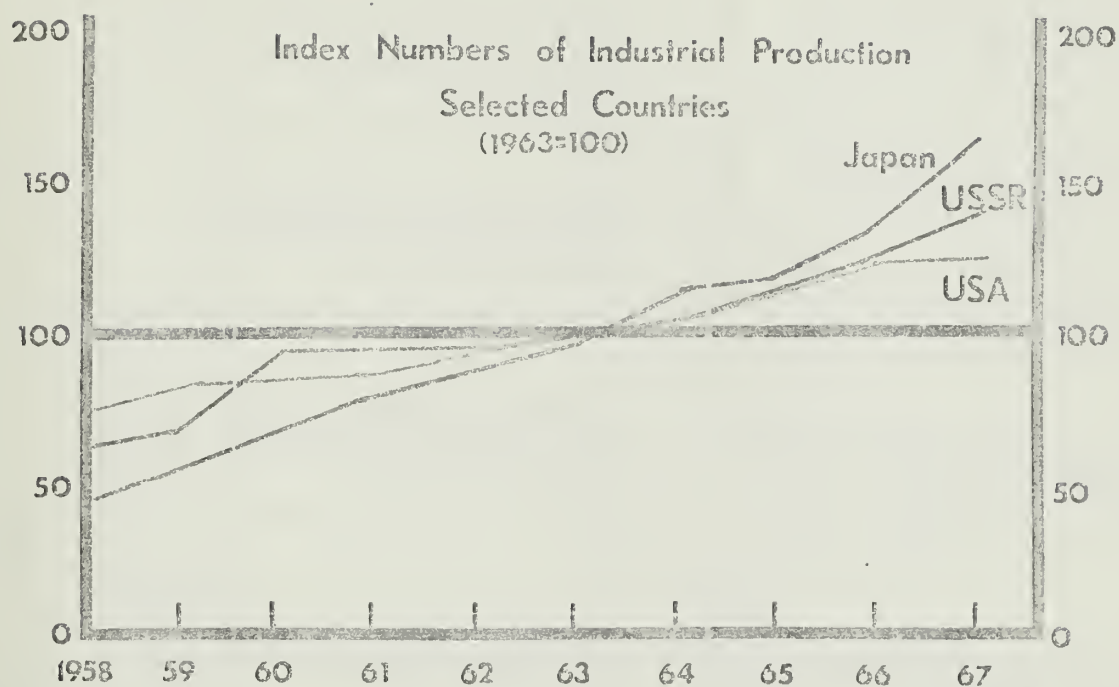
1. Chart VIII provides an index of industrial production in terms of the type of industry and in comparison to the industry of other nations.
2. Table 21 indicates the value of exports and imports over a period of years.
3. Chart IX shows a representation of the real gross national product (GNP deflated for price level changes) as the principal indicator of the overall growth of the economy.

There are three basic elements which various authorities agree serve, for the most part, to explain Japan's phenomenal economic growth since the end of the occupation: the high response of the Japanese people to a market oriented, capitalistic economy; the active role of the government in the creation of an environment conducive to rapid economic growth; and the ability of the Japanese to assimilate and efficiently utilize massive amounts of Western technology and managerial expertise.

Since World War II, the Japanese have thrived under the concepts of a capitalistic economic system of private enterprise operating in free markets. Both the pre-war and post-war



## CHART VIII



Source: Ministry of Foreign Affairs, Statistical Survey of Economy of Japan 1968, p. 18.



TABLE 21

QUANTUM INDEX NUMBERS OF JAPAN  
(1960=100)

## Exports

	General	Foodstuffs	Textile & Text. Prod.	Chem.	Non-metallic Mineral and Manufactures thereof	Metal and Metal Products	Machinery	Miscel- laneous
1955	62.2	68.3	70.7	48.4	73.8	53.2	63.8	52.4
1957	68.5	69.4	82.3	58.7	75.0	46.6	74.1	57.8
1958	72.4	91.1	77.6	71.6	71.5	67.6	68.2	67.0
1959	87.1	100.0	90.0	96.1	85.6	74.7	85.8	87.4
1960	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1961	107.5	94.2	95.2	116.1	100.2	106.0	129.7	107.6
1962	127.9	117.4	105.3	166.0	103.5	154.1	150.7	120.1
1963	143.5	98.6	100.9	213.4	116.6	200.6	192.0	127.2
1964	177.8	108.6	113.8	249.5	130.1	246.9	286.3	144.0
1965	228.0	113.5	132.1	345.0	135.5	347.2	396.7	166.9
1966	264.9	109.5	148.5	480.5	147.0	375.9	498.4	189.8
1967	278.1	110.7	140.6	531.9	153.5	354.9	585.5	266.6

## Imports

	General	Foodstuffs	Textile Fibers	Metalif. Ores and Metal Scrap	Raw Materials (Others)	Mineral Fuels	Chem.	Mach.	Misc.
1956	62.2	89.7	83.9	51.2	60.5	42.9	53.1	54.5	53.2
1957	76.5	83.9	81.7	70.6	67.8	61.8	60.5	84.0	124.4
1958	64.7	89.0	72.9	38.7	65.3	54.2	59.4	96.3	44.5
1959	81.2	89.0	90.4	75.9	86.0	67.8	81.9	92.4	64.2
1960	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1961	130.6	122.7	121.8	139.6	119.3	131.6	127.0	147.9	152.1
1962	129.0	137.8	96.0	109.2	128.0	149.7	122.3	136.5	120.9
1963	152.4	172.6	111.8	128.5	157.3	178.2	147.8	182.2	156.0
1964	175.3	212.7	105.6	152.0	174.9	214.1	197.5	167.5	232.7
1965	176.6	255.0	110.8	152.7	178.7	234.5	170.9	111.4	205.9
1966	208.2	295.9	121.3	173.7	222.3	289.4	200.2	142.0	248.2
1967	250.6	306.3	124.2	237.1	238.3	355.9	254.0	195.4	412.0

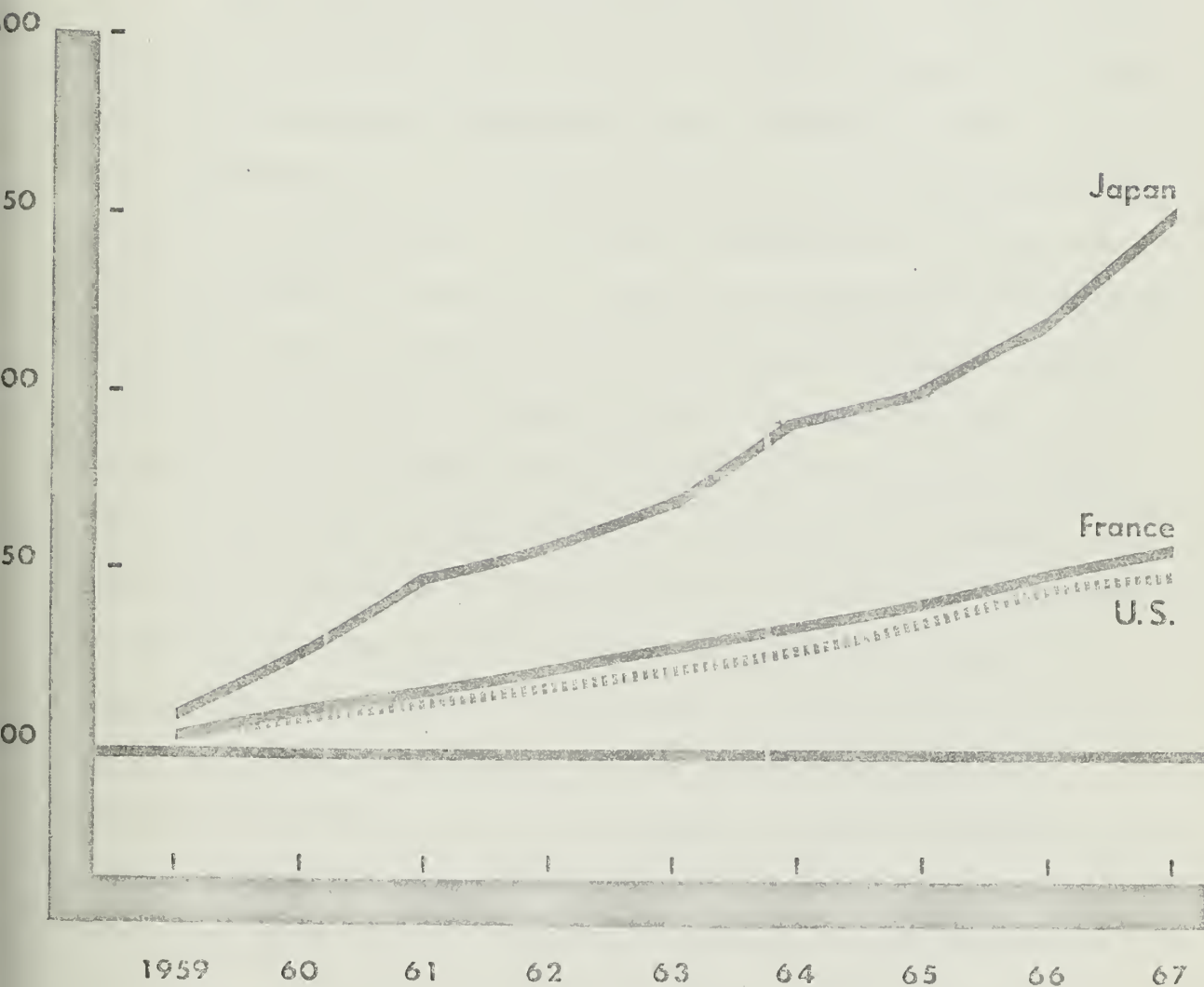
Source: Ministry of Foreign Affairs, Statistical Bureau of Japan, Survey of Economy of Japan, 1966, p. 39.





## CHART IX

Growth of Real GNP 1958-67  
(index numbers based on 1958)



Source: Ministry of Foreign Affairs, Statistical Survey of Economy of Japan 1968, p. 74



growth records indicate that the Japanese did not lack responsiveness to economic opportunities either internally or externally. In this respect, the businessmen could be characterized as oriented toward the pragmatic, but energetic and restless when it came to looking for new opportunities.

From the short review of political-economic history, it can be concluded that Japan has neither subscribed to nor adopted Adam Smith's precepts of the "Invisible Hand" whereby any interference with free competition by the government was deemed to be injurious. From the Tokugawa Era, in which a central authority was first formed, the government has always supported and promoted economic development with the ultimate purpose of building a strong nation. Because of this basic motivation, the analogy can be drawn that whereas the phrase, "What's good for General Motors is good for the country," is rejected in the U. S.; "What's good for Mitsui (or Mitsubishi, or Sumitomo or any of the largest companies) is good for Japan," and vice versa, is not only acceptable, but accurate. Thus, business participates in the bureaucracy and the bureaucracy participates in business to weld an amalgam that is stronger than the individual components which go to make it up. Japan has always been, and today still is, a group-oriented society. The Western concept of "rugged individualism" is regarded with a certain ambivalency; therefore, Anglo-American economic ideology, promoted during the occupation, has never really been fully adopted.



The third factor attributing to Japan's sustained economic performance has been the ability of the Japanese to obtain, assimilate and efficiently/effectively utilize Western technology and managerial experience. Japan was, for many years, known and criticized as cheap imitators of Western products. However, it was overlooked that the vast majority of the Western industrialized nations, including the United States, began in a similar manner and that such efforts were greatly facilitated by certain common cross cultural ties--an advantage Japan has never enjoyed with the West.

The success of imitative reproduction, however, is only one facet of the economic development. To reinforce this aspect, the Japanese have added an ability to adapt and improve Western technology to produce products efficiently and inexpensively. In the pursuit of knowledge, the country has been sending young nationals abroad both to study in universities and to work in overseas businesses. Meanwhile they have been building their internal technical education system to a high level. In addition, Japanese businesses have procured massive quantities of patents, licensing arrangements, and foreign technical agreements since the end of the occupation thereby narrowing the technological gap which existed for many years.

The post occupation effectiveness of these and many other factors can be measured in many ways. The foregoing statistical data has presented it in the context of industrial growth, external trade and real GNP. In terms of Japanese



labor itself, Table 22 indicates that real cash earning rates (nominal rates adjusted by inflationary percentages) are on the increase and, although the propensity to consume has increased, so have savings which serves to help stabilize the economy.

### The Political-Economic Structure and Legislation

On September 1, 1953, the Diet passed an amendment to the antimonopoly law which reversed both the spirit and the letter of occupation policy. The most significant changes were as follows:<sup>1</sup>

#### 1. Admission of Recession and Rationalization Cartels.

Cartels and other collusive activities became legal in those cases where the competent ministry deemed it necessary on the grounds of averting a recession or for the purpose of rationalization.

#### 2. Relaxation of Stockholding Regulations.

According to the amended articles 10 through 16, interlocking directorship, mergers and mutual stockholdings became legal, except when they conflicted with Article 9 (prohibition of holding companies) or Article 2 (limitation of stockholding by a financial institution) and when the result . . . did not limit competition in a market substantially.

#### 3. Redefinition of Unfair Competition.

Unfair competition and the catch-all clause of the original Articles 2-7, which read in part lessening of "competition which is contrary to the public interest," were amended to apply only in six specified cases of "unfair business practices."

#### 4. Total Elimination of Two Articles.

Article 5 (prohibiting the establishment of or becoming a party to a monopolistic organization) and Article 8 (prevention of substantial disparities in bargaining power) were deleted in toto from the act.

---

<sup>1</sup>Yamamura, Economic Policy, pp. 56-57.





WAGES AND EXPENDITURE OF URBAN WORKERS

# Monthly Income and Expenditure of Urban Workers' Households

Source: Bureau of Statistics, Office of the Prime Minister, Statistical Handbook of Japan 1967, pp. 105 and 112.



The single most important alteration was the first. Recession cartels were permitted if the supply and demand were out of equilibrium, prices fell to below production costs due to oversupply, etc. The rationalization cartel can be defined in terms of the Japanese word gorika which literally means "to make it logical,"<sup>1</sup> but which in economic terms means

. . . to adopt a larger unit of production which increases efficiency (a lower unit cost) when produced near or at the optimum level of production. The common phrase, "catching up with Western standard of efficiency," is a nontechnical way of saying the same. (Therefore) . . . the term . . . (can) also be used to mean to make any aspect of the operation to yield more than a competitive profit by such means as acquisition of a large market share by whatever means . . . .<sup>2</sup>

Thus, rationalization agreements could cover such things as the standardization of specifications and measurements, obsolete process restrictions, concentration of production of certain items, joint use of storage and transportation facilities, and joint purchase of raw materials.

Through the application of the revised law as well as the passage of other legislation, the government as well as private industry has moved inexorably toward increased concentration patterns. Tables 23 and 24 show the growth of cartels by total number and by type of legislation, respectively. In addition, Table 25 indicates the number of mergers approved by the Fair Trade Commission under the

---

<sup>1</sup>Ibid., p. 48.

<sup>2</sup>Ibid.



TABLE 23

NUMBER OF CARTELS  
(in force at the date indicated)

Date	Number
March 31, 1960	595
March 31, 1961	714
March 31, 1962	868
March 31, 1963	943
March 31, 1964	966
March 31, 1965	993
March 31, 1966	1,079
March 31, 1967	1,037
December 31, 1967	1,001

Source: Hoshi, Business Concentration, p. 70.

TABLE 24

NUMBER OF CARTELS BY LEGAL BASIS

Legislation	March '66	March '67	Dec '67
Antimonopoly Law			
Recession Cartels	16	1	0
Rationalization Cartels	14	13	13
Special Legislation			
Export-Import Transaction Law	214	209	213
Export Fishery Industry Law	11	8	8
Fishery Production Co-op Law	6	6	7
Law Concerning Temporary Measures for Price Stabilization of Fertilizer	2	2	2
Law Concerning the Organization of Associations of Small Enterprises	652	634	590
Costal Shipping Co-op Law	16	18	22
Law Concerning Rationalization of Environmental Sanitation and Related Ent.	123	123	123
Law Concerning the Extension of the Liquor Tax, Etc.	12	12	12
Law Concerning Temporary Measures for the Promotion of the Machinery Industry	4	4	3
Total	1,079	1,037	1,001

Source: Hoshi, Business Concentration, pp. 70-71.



TABLE 25

## NUMBER OF MERGERS, 1956-65

Fiscal Year	Number	Fiscal Year	Number
1956	381	1961	591
1957	398	1962	715
1958	381	1963	997
1959	413	1964	864
1960	440	1965	894
Total	2,013	Total	4,061

## Mergers by Size of Capital

Size of Capital After Merger	Fiscal 56-60		Fiscal 61-65	
	Number	%	Number	%
Less than ¥100 million	1,823	90.6	3,426	84.4
¥100 million-¥1 billion	148	7.4	499	12.3
¥1-5 billion	39	1.9	89	2.2
¥5-10 billion	2	0.1	18	0.4
Over ¥10 billion	1	0.0	29	0.7

Source: Hoshii, Business Concentration, p. 38.

liberalized laws. A major result of this movement was succinctly stated in that

... the ... wave of mergers has created richer and more powerful industrial groups. These are beginning to free themselves from their traditional dependence on banks that today are incapable of the ever growing requests for financing.<sup>1</sup>

To sum up the political-economic relationships, it can be said that

... in addition to such "macro" responsibilities as the governments of all free-enterprise economies have come to assume--growth, full

<sup>1</sup>Yasuo Takeyama, "Big Industry Loosening Its Banking Ties," Successo (International Edition), August, 1969, p. 80.





employment, stable prices, and a viable balance-of-payments position--. . . the Japanese government directly supports particular industries, enters into the terms of technological agreements, advises on desirable prices, promotes changes in firm size and encourages cartelization. Few Japanese businessmen regard this as an infringement of their rights.<sup>1</sup>

#### Management Personnel

The purge laws of the occupation as they affected zaibatsu families and their appointees, were only in effect just short of four years. In 1951, the Supreme Commander for the Allied Powers authorized the Japanese government to "review existing ordinances issued in implementation of (SCAP) directives . . . , for the purpose of evolving through established procedures such modifications as past experience and the present situation renders necessary and desirable."<sup>2</sup> By May of that year, no economic purges were still under designation, and in July, the day the Holding Company Liquidation Commission was dissolved, the designation of zaibatsu family members was cancelled.

As to the family members, there is some difference of opinion concerning the effect of the purge. It is, however, most generally argued by business authorities that these 56 persons never regained the economic power that they either held individually or as family groups. In short,

<sup>1</sup>Hadley, Antitrust, p. 390.

<sup>2</sup>Bisson, Zaibatsu Dissolution, p. 179.



. . . the lives of the former zaibatsu families changed . . . as Japan itself had changed. These individuals did not usually possess managerial skills or business acumen and were merely the titular heads of their empires. They were powerful only in the long tradition of their "houses" which controlled immense fortunes. Consequently . . . (they) were totally unprepared to carve their niche in a new way of life. A few of them retired into a secluded life of their chosen academic pursuit, while most . . . became inactive rentiers.

Observing in 1953, a Japanese writer commented, "they (the zaibatsu families) had to liquidate their real estate and even their art collections to survive in the (postwar) inflation. Several years ago, they became Shayozoku (the tribe of the setting sun)."<sup>1</sup>

The personnel who were promoted to fill the vacancies created by the purges were, in the main, from the upper-middle layer of management (e.g., sectional vice-presidents, plant managers, divisional supervisors, etc.) and were hand picked, because of their administrative skills and managerial competence.

Despite the depurge of 1951, relatively only a few of the prewar executives returned to resume active business lives at their old positions. There were several primary reasons for this, as expressed below:

First, after the war many corporations became independent and their top management consisted now of new and younger executives--there was little room left for the return of former corporate leaders (although the majority . . . did not express a desire to come back);

---

<sup>1</sup>Yamamura, Economic Policy, pp. 11-12. For a discourse which is diametrically opposed to this viewpoint, see Cole, Japanese Society, pp. 83-84.



second, a series of sweeping changes in the corporate environment after the war made the know-how of former executives critically obsolete (e.g., they were totally inexperienced in dealing with labor unions).<sup>1</sup>

Of the ones who did return, some took up their former positions while others became consultants, ex officio chairmen, etc. However, their total numbers were not large enough to reshape the newer management trend. As an indices of the change in managerial philosophy, a study of corporations found that

. . . with respect to 40 holding companies which escaped forced dissolution . . . , 9 companies had the same presidents (or chairmen of the board) in early 1952 as they had had at the time of surrender . . . , and the remaining 31 . . . appointed new presidents (or chairmen of the board) during the same period.<sup>2</sup>

In addition, it was found that "the age of chief officers was lower." "In the 1951-52 period, the president or chairman of the board was of an average age of 51.8 years; at war's end, 60.2 years."<sup>3</sup>

Other than the personnel movements occasioned by the purges, there were several management changes. By dissolution of the holding companies and/or liquidation of the stock of holding companies which were not dissolved, the corporate power structure was essentially decentralized. Regardless of whether an individual held stock or not (stock ownership had been a

---

<sup>1</sup> Komiya, Postwar Economic Growth, pp. 234-235.

<sup>2</sup> Ibid., p. 235.

<sup>3</sup> Hadley, Antitrust, p. 104.



prerequisite in prewar days), he could now become a member of management at various administrative levels. In addition, a 1950 major revision to the commercial laws contained provisions which served to promote the professionalism of corporate managers, while at the same time decreased the power of the stockholders. This served to substantially increase the decision making framework within which the managers could operate.

#### General Patterns of Stock Ownership

Since the war, changes have occurred in the distribution of corporate stocks in Japan. Table 26 shows the 1945-1960 pattern of the share distribution of companies capitalized for ¥50 million and above. In general, it can be surmised that while the long range effect of the occupation "resulted in a decline in the role of government (with regard to stock), it unintentionally produced a great increase in the role of financial institutions, and left individual holdings at much the same percentage level as they had been."<sup>1</sup> However, the number of individuals owning more than 100 shares of stock over selected years has been dramatically increasing on a continuum since 1946. (Table 27)

#### The Trend Toward Increasing Oligopoly

Mergers and collaboration agreements have affected competition, supply and distribution as well as finance. From

---

<sup>1</sup>Ibid., p. 193.





TABLE 26

## DISTRIBUTION OF SHARES BY TYPE OF SHAREHOLDER IN PERCENTAGE TERMS

	(1945-53 listed shares only)					(1954-60 listed and unlisted shares)									
	1945	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960		
Gov't and public bodies	8.29	2.8	3.14	1.76	1.0	0.7	0.65	0.51	0.51	0.56	0.65	0.53	0.46		
Financial institutions	11.17	9.91	12.63	18.24	21.82	22.94	20.31	2.48	22.46	22.93	25.42	25.88	26.69		
Investment trusts	--	--	--	5.22	6.03	6.67	5.67	3.39	3.20	2.44	5.52	6.35	6.25		
Security dealers	2.82	12.56	11.90	9.22	8.44	7.34	6.50	7.17	6.49	5.22	4.11	3.52	3.51		
Other corporate persons	24.65	5.59	11.03	13.80	11.75	13.54	16.19	16.69	18.72	19.53	19.17	20.79	21.34		
Individuals	53.07	69.14	61.30	56.98	55.79	53.72	54.39	53.35	50.26	50.30	43.63	47.24	46.18		
Foreigners	--	--	3.14	1.76	1.2	1.7	1.57	1.48	1.32	1.20	1.17	1.21	1.07		
Actual Total	100.00	100.00	103.14	106.98	106.93	106.69	105.48	103.13	103.02	102.18	104.67	105.52	105.50		

Notes: It might appear at first that personal holdings had declined from 53% in 1945 to 46% in 1960. This would not be correct inasmuch as "investment trusts" importantly represent personal holdings and it is appropriate to add these (6%) to "individuals" thus making individual holdings essentially the same. "Listed" refers to stocks listed on the first section of the Tokyo Stock Exchange and "listed and unlisted" refers to all stocks of the indicated capitalization. It will be observed that with the exception of the first two columns, the percentage figures have the unusual quality of adding to more than 100.

Source: Hadley, Antitrust, p. 124.



TABLE 27

## NUMBER OF INDIVIDUALS OWNING MORE THAN 100 SHARES

Year	1946	1950	1956	1960
Number of Individuals	1,712,650	4,288,545	8,606,889	10,660,260

Table 28 it appears that over the last ten years, the trend toward oligopolization has increased, and because of the increasing liberalized policies, it will most likely become more intensified.

The prewar friendly oligopoly situation previously described still exists although companies of the major groups still compete in the same markets. Indicative of this philosophy was the top shareholding structure in Hitachi, Yawata Steel and Fuji Steel in 1961, as shown in Table 29.

### Finance

With the rapid expansion of the economy, large companies in the manufacturing and trading sectors have had to become more heavily dependent on banks as their primary source of finances. This choice of alternatives for capital financing was brought about by Japanese tax laws which allow corporations to deduct interest on bank borrowed capital as an expense whereas the money paid as stock dividends is taxable although, in fact, it is also an expense to the corporation. The natural inclination is to borrow from the banks rather than increase the equity capital which has, in turn, increased the



INDEX OF MARKET SHARE OF TOP THREE AND TOP TEN ENTERPRISES  
(1950-1966)

Year	All Industries			Food			Textiles & Paper			Chemicals, Petroleum and Ceramics			Metals			Machinery		
	3	10		3	10		3	10		3	10		3	10		3	10	
1951	98	99		102	102		91	93		99	100		95	98		96	96	
1952	95	98		105	105		80	83		95	100		95	98		85	90	
1953	95	97		106	107		74	75		95	100		95	97		85	88	
1954	94	96		105	107		76	73		95	99		95	98		85	85	
1955	94	96		105	107		70	69		94	98		96	100		89	92	
1956	92	96		104	107		69	69		94	97		95	99		84	92	
1957	91	95		107	111		66	66		89	94		95	98		85	88	
1958	90	95		108	112		64	66		86	92		95	100		81	89	
1959	91	95		115	115		65	63		85	92		94	99		73	85	
1960	92	96		119	120		64	63		84	91		93	99		78	83	
1961	93	97		122	123		64	62		85	90		92	99		84	89	
1962	92	97		123	125		65	63		83	89		92	100		87	90	
1963	93	98		124	124		65	64		84	90		87	98		97	95	
1964	94	97		124	124		68	65		83	89		88	100		102	98	
1965	94	98		127	126		67	63		83	89		90	99		106	100	
1966	94	98		127	127		71	64		83	89		87	98		105	98	

Notes: 1. Indices are based on the following products:

Foods: powdered milk, butter, fresh milk, soy sauce, monosodium glutamate, wheat flour; sugar, beer, sake, choshu (gin), yeast (11 product lines)

Textiles and Paper: raw silk, cotton yarn, carded woolen yarn, cotton fabrics, linen yarn, western-style paper (6 product lines)

Chemicals, Petroleum and Ceramics: ammonium sulphate, calcium cyanamide, superphosphate of lime, caustic soda, sulphuric acid, vinyl chloride resin, celluloid, rayon filament, rayon staple, synthetic fibers, photographic film, petroleum products, flat glass, cement, refractory bricks (15 product lines)

Metals: pig iron, ferroalloys, ordinary hot-rolled steel, galvanized sheet, cast tubes, electrolytic copper, aluminum ingots, cans (8 product lines)

Machinery: bearings, cameras, steel ships (3 product lines)

2. Since it is virtually impossible to have the top ten companies with an index of less than the top three (e.g., years 1960-66 Textiles), there is something wrong



TABLE 28 Continued

with the information presented by Hoshii and is typical of the inconsistency found in Japanese statistical data.

Source: Rearranged from data found in Hoshii, Business Concentration, pp. 123-125





TABLE 29

TEN LARGEST SHAREHOLDERS OF HITACHI, YAWATA, AND FUJI (1961)  
(Shareholding in percentages of the total number of shares outstanding)

Hitachi Manufacturing		Yawata Steel		Fuji Steel	
Holder	% Shares	Holder	% Shares	Holder	% Shares
Nippon Life	5.0	Mitsubishi Credit	3.0	Mitsubishi Credit	3.2
Mitsubishi Credit	4.8	Kogyo Bank	2.7	Kogyo Bank	3.0
Meiji Life (Mitsubishi)	2.2	Fuji Bank (Yasuda)	2.1	Toyo Credit	2.6
Toyo Credit	1.8	Toyo Maruha Ins.	1.9	Sanna Bank	2.1
Sumitomo Credit	1.7	Sanna Bank	1.8	Kobe Bank	2.1
Dai-ichi Life	1.3	Sumitomo Bank	1.8	Sumitomo Bank	2.1
Nissan Life	1.1	Toyo Credit	1.7	Fuji Bank *Yasuda	2.1
Kogyo Bank	1.1	Mitsubishi Bank	1.5	Tokai Bank	1.8
Nissan Fire	0.9	Japan Ore Mining	1.4	Mitsui Bank	1.8
Hitachi Shipbldg.	0.8	Toyo Can Mfg.	1.4	Mitsubishi Bank	1.8
Total	20.7		19.3		22.6

Source: Yamamura, Economic Policy, p. 118.



economic influence of the commercial banks. However, on the other hand, this increase in bank power is being offset because the amount of funds required has risen so sharply that the top banks cannot afford the whole amount. This situation has made it possible for big industrial companies to exert manipulative power by the use of "divide and conquer" tactics. The movement of firms from and to financial groups in 1967, is indicative of the general situation (Table 30).

### The Structure of Selected Prewar Zaibatsu Groups

#### Ownership

The pattern of ownership since the occupation has changed radically. From the conditions enumerated in Chapter II, the Mitsui, Mitsubishi and Sumitomo groups, except in minor cases, are without zaibatsu family holdings and honsha. The only ownership feature which is left is the horizontal cross-ties between companies within each group. Table 31 annotates this data and shows the percentage of stock owned by the top ten shareholders and, within that figure, the percentage controlled by the group itself. In addition, the table also indicates the cross ownership relation between the leading group banks and companies within the group.

A study of the table shows that the ownership pattern for each group has become diffused to the degree that complete coordination is required if it is desired that a company be identified as having Mitsui, Mitsubishi or Sumitomo ownership.



TABLE 30

NUMBER OF FIRMS JOINING OR LEAVING FINANCIAL GROUPS  
(1967)

	No. of Firms Joining the Group	No. of Firms Leaving the Group
Industrial Bank of Japan	33	17
Long-Term Credit Bank of Japan	33	21
Hypothee Bank	17	31
Fuji Affiliates	37 (6)	22
Mitsubishi Affiliates	42 (11)	34
Sanwa Affiliates	29 (8)	34
Sumitomo Affiliates	35 (9)	34
Mitsui Affiliates	33 (12)	46
Tokai Bank	5)	
Dai-Ichi Bank	8)	
Nippon Kangyo Bank	14)	
Daiwa Bank	12)	
Kyowa Bank	7)	68
Bank of Kobe	2)	
Bank of Tokyo	2)	
Hokkaido Takushoku Bank	1)	
Cent. Bank for Agriculture & Forestry	14	16
Cent. Bank for Commerce & Industry	12	5
Local Banks	23	50
Chuo Trust & Banking	8)	
Nippon Trust & Banking	5)	3
Mutual Banks	12	20
Life Insurances, etc.	21	23
Total	415	

Note: Figures in parentheses denote changes within groups.

Source: "Bank Affiliations Under Reorganization," The Oriental Economist, October, 1968, p. 16.



TABLE 31

## STOCK OWNERSHIP PATTERNS OF THE MITSUBISHI, MITSUI AND SUMITOMO GROUPS

Name	1961 <sup>a</sup>	1964 <sup>a</sup>	1966 <sup>a</sup>	(2) <sup>b</sup>	(3) <sup>c</sup>	(4) <sup>d</sup>	(5) <sup>e</sup>
Mitsui							
M. Bank	31.60	31.16	31.77	--	--	--	--
M. Trust & Banking	16.00	19.66	22.52	--	--	00.00	00.00
Taisho Marine Ins.	30.20	23.23	24.82	--	--	05.39	01.68
M. Mining	04.88	04.65	05.87	34.82	02.92	01.67	00.00
Hokkaido Colliery	03.77	04.24	03.21	24.60	03.21	00.96	01.11
Japan Steel Works	15.73	14.45	13.06	28.05	13.06	06.40	01.01
M. Shipbldg. & Eng.	02.87	08.67	08.48	28.12	08.23	00.00	01.04
M. Precision Mach.	--	56.04	56.04	--	--	10.00	--
Japan Flour Milling	16.20	19.59	19.56	41.92	16.33	--	--
Showa Aircraft	36.49	--	--	--	--	--	--
Toyo Koatsu Ind.	11.13	11.58	10.59	30.95	8.44	02.83	01.45
M. Milke Ind.	36.53	--	--	--	--	--	--
M. Chemical	08.33	11.24	09.34	19.66	08.76	01.89	00.93
M. Petrochemical	83.50	74.44	66.87	67.93	56.14	08.80	00.00
Toyo Rayon	04.32	03.99	02.53	28.52	01.93	00.00	00.79
Mitsui & Co.	15.79	15.88	14.30	38.32	12.06	07.14	02.06
General Petroleum	09.06	09.44	10.11	22.66	08.99	03.33	00.23
Tokyo Foods	15.74	15.36	15.36	37.20	14.80	05.00	00.37
Toyo Menka (Cotton)	18.63	09.97	09.97	45.65	07.41	03.37	00.98
M. Warehouse	13.34	19.24	22.56	44.46	18.30	03.00	00.34
M. Real Estate	30.51	27.45	27.05	42.37	19.21	09.75	01.32
Osaka-Shosen-Mitsui							
Shipping	--	--	--	30.26	02.14	--	--
M. Norin	63.33	51.02	51.02	--	--	03.00	--
Sanki Engineering	12.80	12.93	18.23	47.51	17.10	03.30	00.29
M. Construction	91.75	57.16	57.09	62.59	55.96	00.77	00.06
M. Metal Mining	09.37	11.18	11.64	23.87	09.04	01.98	00.70
Mitsubishi							
M. Bank	27.30	27.85	28.64	--	--	--	--
Tokyo Marine Ins.	12.13	14.63	12.41	--	--	03.33	04.10
M. Trust & Banking	35.40	33.17	35.35	--	--	02.00	00.00





TABLE 31 Continued

Name	1961 <sup>a</sup>	1964 <sup>a</sup>	1966 <sup>a</sup>	(2) <sup>b</sup>	(3) <sup>c</sup>	(4) <sup>d</sup>	(5) <sup>e</sup>
M. Mining	23.96	21.94	19.02	23.26	15.75	02.02	00.18
M. Metal Mining	18.25	15.33	13.90	30.91	10.77	01.85	00.48
M. Heavy Industries	--	14.57	11.77	22.67	10.40	03.07	03.41
M. Electric	07.69	06.26	06.39	16.91	04.71	01.73	01.36
M. Steel	--	19.02	17.93	24.66	17.88	04.47	00.20
M. Chem. Machinery	32.13	30.71	25.86	32.09	25.86	04.16	00.07
M. Chemical Ind.	25.61	23.23	20.50	37.03	17.23	03.53	01.36
M. Plastic Ind.	--	60.22	56.71	20.02	65.59	01.67	00.11
Kirin Beer	--	07.25	06.24	22.86	05.93	00.00	00.57
Asahi Glass	22.02	22.97	20.63	39.83	23.11	06.15	00.91
M. Rayon	29.90	25.94	20.27	38.53	15.41	04.44	00.73
M. Monsanto Chem.	--	--	--	--	--	--	--
M. Idogawa Chem.	18.69	19.28	18.22	30.75	15.93	05.00	00.27
M. Oil	16.51	13.53	10.08	64.66	09.02	01.29	00.09
M. Petrochemical	73.17	69.90	69.90	--	--	03.10	--
M. Paper	21.23	26.28	32.84	47.47	32.37	06.16	00.57
M. Cement	90.13	93.03	89.55	--	--	01.66	--
M. Shoji (Trading)	34.15	34.78	33.53	37.28	51.23	05.20	01.03
M. Warehouse	31.96	31.00	26.57	43.53	30.02	03.84	00.32
Nippon Yusen Kaisha	--	10.56	09.40	24.10	08.67	01.48	00.67
M. Real Estate	58.16	26.32	21.94	28.33	17.50	04.04	00.45
Sumitomo							
S. Bank	31.07	34.64	35.90	--	--	--	--
S. Trust & Banking	36.13	37.43	38.74	--	--	00.00	00.00
S. Marine Ins.	21.07	18.80	23.24	--	--	05.55	00.00
S. Coal Mining	34.63	34.62	33.67	33.72	31.23	05.78	01.20
S. Metal Mining	28.10	27.41	26.22	25.79	22.48	03.23	00.65
S. Metal Industries	19.86	25.46	18.54	26.50	14.34	03.71	02.27
S. Electric Ind.	27.51	24.36	23.68	43.07	19.52	05.75	01.50
S. Light Metals	--	57.75	53.76	59.89	50.80	04.57	00.34
Nippon Sheet Glass	17.26	15.61	14.78	44.64	14.27	04.04	02.05
Nippon Electric Mfg.	40.96	38.55	36.50	56.22	28.47	08.66	02.27
S. Machinery	52.91	40.82	40.70	43.09	27.26	04.24	00.40
S. Chemicals	16.86	17.14	14.73	31.56	11.32	03.66	02.95
S. Cement	--	38.65	34.75	47.90	29.65	07.16	00.45



TABLE 31 Continued

Name	1961 <sup>a</sup>	1964 <sup>a</sup>	1966 <sup>a</sup>	(2) <sup>b</sup>	(3) <sup>c</sup>	(4) <sup>d</sup>	(5) <sup>e</sup>
S. Shoff (Trading)	59.51	49.60	46.61	42.17	42.67	38.05	31.82
S. Warehouse	35.13	30.60	31.84	39.35	27.38	25.00	20.20
S. Real Estate	--	16.75	25.93	--	--	27.95	--

Notes: <sup>a</sup>Ownership ties among core companies expressed as a percentage of issued capital.

<sup>b</sup>Top ten stock owners of the core companies expressed as a percentage of paid-up capital. Data for 1966.

<sup>c</sup>Percentage of group ownership among the top ten shareholders. Data for 1966.

<sup>d</sup>Percentage of group bank ownership in the company in terms of paid-up capital. Data for 1966.

<sup>e</sup>Percentage of company ownership in group bank in terms of paid-up capital. Data for 1966.

Source: Data rearranged by author from Hadley, Antitrust, pp. 214, 216-218, 220-221, 237-240.



There is a marked difference between this and conditions which existed in 1946 as shown by Table 2.

### Finance

In addition to a fragmented ownership base, the main banks of the prewar zaibatsu have lost much of their individual and combined power as is shown in Table 32.

### Intra-Group Relations and Interlocking Directorates

With the dissolution of the holding companies, "presidents' clubs" were formed which held regularly scheduled meetings of the top executives of selected affiliated firms and which, by some, are considered as "equivalent to the top level meetings of the former zaibatsu combines."<sup>1</sup>

. . . In the Mitsubishi grouping the presidents of 25 key companies constitute the Friday Club (Kinryo Kai); in the Sumitomo grouping the heads of 17 companies are in the White Vaters Club (Hakusui Kai). The Mitsui grouping has two such clubs, the 27 member Monday Club (Getsuyo Kai), and the more exclusive 17 member Second Thursday Club (Nimoku Kai).<sup>2</sup>

Except for relatively few changes, the companies belonging to each club are the same companies which were defined as core companies by SCAP. (They were called "first and second line" companies during that period).

Several factors which must be considered before determining the relative position of the presidents' clubs in terms of their becoming successor groups to the boards of the

<sup>1</sup>Yamamura, Economic Policy, p. 122.

<sup>2</sup>Hadley, Antitrust, pp. 206-207.



TABLE 32

COMPARISON OF ALL LOANS MADE BY MAIN PRE-WAR ZAIBATSU BANKS IN 1944, 1958, 1967

Year	Mitsui	Mitsubishi	Sumitomo	Yasuda-Fuji	Total
1944	29.1	19.5	14.4	29.1	74.9
1958	4.7	7.5	6.8	7.5	26.5
1967	6.3 (26.9)	7.4 (28.9)	6.9 (31.2)	6.8 (26.2)	

Note: Figures in parenthesis show the percentage of loans made within the group (e.g., in 1967 Mitsui banks made 6.3% of the total loans made by all banks and, within that, 26.9% were made to companies within the Mitsui group).

Source: 1944 and 1958 data; Yamamura, Economic Policy, p. 116; and 1967 data; The Oriental Economist, October, 1968, pp. 16-17.





prewar honsha are as follows: First, they are composed of people who are equals (e.g., company presidents) which is no small matter to a nation which has only recently escaped from a rigid social hierarchy. Second, they tend to be too big and are far from being completely cohesive. Last, there is no structure to compel one of the core companies to adapt a specific plan or program even when there is a consensus of opinion on the part of the group. The Oriental Economist summed this up when it investigated the functions of Mitsubishi's Friday Club:

The Kinyo Kai serves as a clearing house for information, and also as a consultative organ. It makes no decisions, and it has no secretarial machinery. Consequently, it would be erroneous to believe that the Kinyo Kai exercises the authority and power formerly wielded by the Mitsubishi . . . (Honsha). . . . But there is no denying that . . . (it) does function as an effective pivot for coordination of group affiliated activities.<sup>1</sup>

Comprehensive and extensive interlocking directorates, as illustrated in Table 3, were formerly used to control combine members. Today, if 1959 information is correct, interlocks are relatively sparse (Table 33). In addition, since appointment and selection of top corporate leaders is no longer made from a central point (i.e., the honsha), the interlockatory features no longer have the strength to dominate as they had in the past.

<sup>1</sup>Yamamura, Economic Policy, pp. 122-123.



TABLE 33

INTERLOCKING DIRECTORATES AMONG THE CORE  
COMPANIES OF THE MITSUBISHI, MITSUI,  
AND SUMITOMO GROUPINGS (1959 DATA)

Part A: Mitsubishi

Mitsubishi Bank	Trading's president, director; Tokyo Fire, Marine Insurance's chairman, director; Meiji Life Insurance's president, director.
Tokyo Marine, Fire Insurance	Meiji Life Insurance's president, auditor.
M. Heavy Ind. Reorg.	Trading's vice-president, director.
M. Japan Heavy Industries	Trading's president, director; Steel Mfg.'s chairman, director.
M. Steel	Japan Heavy Industries' president, director; Electric's vice-president, director.
M. Steel Mfg.	Trading's managing director, director.
M. Chemical Machinery	Trading's vice-president, director; Heavy Ind. Reorg.'s managing director, director.
M. Rayon	Trading's president, director; Real Estate's chairman, director.
M. Petrochemicals	Trading's president, auditor; Bank's president, auditor; Metal Mining's president, director; Real Estate's chairman, director; Rayon's president director.
M. Cement	Trading's president, director; Real Estate's president, director; Mining's president, director; Mining's managing director, director; Asahi Glass's president, director.
M. Warehouse	Trading's president, director.



TABLE 33 Continued

Part B: Mitsui

Showa Aircraft	Japan Steel's president, director; Mitsui Shipbldg.'s president, director; Mitsui Shipbldg.'s director, director.
Tokyo Food Products	Taisho Marine, Fire Insurance's auditor, auditor.
Mitsui Real Estate	Mitsui Bank's director, chairman.

Part C: Sumitomo

Sumitomo Electric Ind.	Nippon Electric's president, director; Warehouse's auditor, auditor.
Japan Electric	Sumitomo Electric's chairman, director.
Sumitomo Machinery	Sumitomo Trading's vice-president, director.
S. Real Estate	Sumitomo Chemical's president, director; Sumitomo Metal Ind.'s president, director; Sumitomo Bank's president, director; Sumitomo Trading's president, auditor.

Source: Hadley, Antitrust, pp. 251-252.



## Inter-Group Relations

Although each group faces the same rivals in multiple sectors of the market as in prewar days, the frequency with which transactions of buying, selling and borrowing have crossed the lines of the grouping has increased. For instance:

Mitsubishi Heavy Industries Reorganized--among the principal firms from which it buys, Sumitomo Metal Industries; among the principal firms to which it sells, Osaka Shosen-Mitsui Shipping.

Mitsui Chemical Industries--among principal firms from which it buys, Mitsubishi Trading; among principal firms to which it sells, Sumitomo Metal Industries.

Sumitomo Metal Industries--among principal firms from which it buys, Mitsubishi Trading and Mitsui & Co.; among principal firms to which it sells, Mitsui & Co.<sup>1</sup>

Apropos of this period is the Japanese saying, "nana-korobi ya-oki (seven times down, eight times up)."<sup>2</sup>

<sup>1</sup>Hadley, Antitrust, pp. 255-256.

<sup>2</sup>Cohen, Postwar Economy, p. 11.





## CHAPTER VI

### CONCLUSION

In the foregoing pages of the last chapter, both the modern economy and the major elements which serve to make up the internal business elements of that economy were examined. In addition, the workings of the Mitsui, Mitsubishi and Sumitomo groupings were considered in relation to these elements and to prewar criteria. From this a conclusion can be drawn as to the long range effects of occupation reforms and to the existence of the zaibatsu in the Japanese business world of today.

With respect to the lasting effects of the reforms, the answer is obviously a dual one--yes and no. Today, there is no zaibatsu family member prominent in investment or executive circles. In looking at today's business groupings among representatives of the major zaibatsu, it has become clear that the organizational structure is different although some of the same control techniques used in the prewar era are still being used. Even though the names remain the same, the groupings are loose confederations as opposed to the tightly knit monolithic units of old. From a situation where core companies acted only as if they were departments in a highly



centralized organization, the reforms have brought these same corporations into the position of becoming separate viable units. Company boards are now able to make fundamental decisions with respect to such things as open discussions, executive appointments, personnel policies and political contributions which is markedly different from the combine period in which monolithic unity was a product of enforced and reenforced control via the honsha. Today, those ties of yesterday are shadows of the past and concerted action rests on a base of cooperation stemming out of common elements such as trade names and trademarks as well as the long tradition of collectivism which has characterized Japanese businesses for many centuries. Since the current top officers of these companies had years of experience under the zaibatsu management and control system where complete emphasis was placed on the organization as a whole, it is not difficult to see that a sort of gakubatsu (school clique) attitude still remains which is strong enough to form a cohesive factor among equals within the group.

On the other hand, the reform was not really effective in breaking market concentrations and preventing cartels which was the real purpose of the antimonopoly legislation. The weak political base of the Fair Trade Commission has enabled other elements of the government to promote market concentration and cartelization. The government itself, through loan and tax advantages, has encouraged large scale mergers. This



manifestation of Japanese business philosophy clearly illustrates the fundamental difference in attitudes toward competition between America and Japan. American competitive policy reflects a position that extreme market concentration either from self growth or merger is not healthy, and encourages open and competitive markets. In Japan, however, competition is considered equal to "excessive competition" and, as such, is considered to be inefficient because firms are so small that they cannot stand up to cyclical changes or compete in international trade. With the axis of the Japanese economy considered to be exports, a low-wage, high profit policy where the government is active in business, is of little concern to the citizenry. Although there are valid counter arguments to this system, the Japanese government and private business assessments remain the same and are unlikely to change in the face of the highest sustained economic growth rate in its history or of any other.

With the change in corporate structure, a new group of words has arisen to describe the collective businesses.

The current general term for business groupings in Japanese is keiretsu, which, broken into its component parts, is "kei" meaning lineage, faction, group" and "retsu" meaning "arranged in order." Used without modifying adjectives,<sup>1</sup> the term usually refers to the successor groupings of zaihatsu companies, or other "headless" combines. . . . In other words, keiretsu refers to a conglomerate grouping of "majors" with ties to one another of ownership, credit, management and marketing. The base is then one of multiple ties, in contrast to other

---

<sup>1</sup>Modifying adjectives are such things as kinyu keiretsu, groupings which rest on credit sources; kigyo keiretsu, groupings which rest on raw material suppliers and/or product



types of groupings which rest primarily on one type of linkage.<sup>1</sup>

Another postwar term, zaikai, has come into favor. It is defined as "the economic world or economic (financial) circles."<sup>2</sup> In use,

. . . it practically supersedes zaibatsu.  
 . . . By inference as well as usage, the new term connotes big-business power group. . . . More inclusive than zaibatsu, it is never-the-less restricted to big business. In journalistic usage, it more often than not refers to the leaders of big business, particularly those who have the support of the powerful economic organizations. Zaikai also denotes the place where the craving for political power is openly expressed and gratified--that hypothetical arena in which big business influences the government. . . by the collective strength and "unified will" of its economic organizations.<sup>3</sup>

This, the conclusion can be drawn that although the companies for the most part still exist, the older zaibatsu per se no longer exists, but has been replaced by keiretsu in the business world and zaikai in the political-economic sphere. However, there is a dark side to the picture, as pointed out by Eleanor Hadley:

---

finishers; shihon keiretsu, a subsidiary group which rests on capital and where parent company ownership is high, management interlocks numerous and credit extension frequent; and kombinato, groupings which rest on technically related products where the output of company's plant is the raw material input for another and where transportation costs range from high to prohibitive.

<sup>1</sup>Hadley, Antitrust, p. 257.

<sup>2</sup>Kenkyusha's New Japanese-English Dictionary, p. 2044.

<sup>3</sup>Yanaga Chitoshi, Big Business in Japanese Politics (New Haven: Yale University Press, 1968), p. 32.





While government favors--credit, tax or otherwise--may greatly facilitate the performance of the economy, to which the postwar Japanese economy is clearly brilliant testimony, there is a price to be paid for this manner of operation.

. . . In Japan's past, the partiality of government favors was a major contributory factor to the development of the zaibatsu. . . .

Political history, including Japanese history, provides many illustrations of the unfortunate political consequences of (economic) concentration.<sup>1</sup>

This latter view is particularly appropriate at this time. Emerging large organizations, such as the current Toyota Group, show every single facet of the old zaibatsu in their organizations with the one exception of the financial/banking ties. If these businesses develop in the same manner as in the past, it is only a question of time before there will be powerful group banks emerging, and with the banks will come more market concentration.

The problem, the warning, and the potential outcome are all succinctly and beautifully stated in the word picture drawn by the seventeen-syllable Japanese poetry called

haiku--

When the tight string  
snapped, the kite fell  
fluttering . . . then . . .  
It lost its spirit.<sup>2</sup>

<sup>1</sup>Hadley, Antitrust, pp. 454-, 406-407.

<sup>2</sup>Haiku Harvest, trans. by Peter Beilenson and Harry Behn (Mount Vernon, N. Y.: The Peter Pauper Press, 1962), p. 49.



## APPENDIX I

### GLOSSARY OF JAPANESE TERMS

Banto	A clerk, usually the chief clerk
Bakufu	Bureaucracy of the Tokugawa era
Chonin	Merchant class
Chosen	Korea
Daimyo	Local lords of the Tokugawa era
Dokusen shihon	Monopoly capital
Gakubatsu	School clique
Getsuyo Kai	Mitsui's Monday Club
Gumbatsu	Military clique or militarists
Hakusui Kai	Sumitomo's White Waters Club
Hiragana	Current Japanese syllabary
Honsha	Head holding company of a combine
Honzensha	Head family holding company of a combine
Kambatsu	Official clique or bureaucracy
Kanji	Japanese ideographic script
Katakana	Current Japanese syllabary
Kazoku seido	Family system or organization
Keiretsu	Current term for business groupings
Kinyo Kai	Mitsubishi's Friday Club
Kodoha	Army "Imperial Faction" of the 1930s



Kokuhonsha	National Foundations Society
Kokuryukai	Society of the Black Dragon
Junsenji Keizai	Quasi-wartime economy
Minseito	Political term referring to the "Democratic Associates Party"
Nimoku Kai	Mitsui's Second Thursday Club
Nippon Ginko	Bank of Japan
Nippon Yusen Kaisha (NYK)	Japanese Mail Steamship Company
Nomin	Peasant class
Saki	Rice wine
Sakurakai	Society of the Cherry
Samurai	Warrior
Seiyukai	Political term referring to the "Association of Political Friends"
Shinka zaibatsu	New zaibatsu
Shogun	Warlord
Shogunate	Rule by warlords
Taisei Yokusan Kai	Imperial Rule Assistance Association
Tonya	Wholesale establishment
Toseiha	Army "Control Group" faction of the 1930s
Zaibatsu	Huge politically and economically powerful combines usually family dominated and tightly controlled through management and financial interlocks
Zaikai	Economic or financial circles



## APPENDIX II

### THE SUBSTANTIVE PORTIONS OF THE ANTIMONOPOLY LAW

Chapter I, Article 2: Defined such terms as "entrepreneur," "competition," "private monopolization," etc. Also defined the parameters of the term "unfair methods of competition" as:

(1) undue price discrimination in the "supplying of commodities, funds and other economic benefits."

(2) "supplying of commodities, funds and other economic benefits at undue low prices."

(3) stealing of a competitor's customers by unreasonably "inducing or coercing . . . by means of offering benefits or that of threatening disadvantages."

(4) "unwarranted refusal to receive from or supply to other entrepreneurs commodities, funds and other economic benefits."

(5) maintaining exclusive or sole agency contracts.

(6) forcing selection of officers in other companies by undue restraint of trade.

Chapter II: Dealt with private monopolies and "unreasonable restraints of trade."

Article 4: prohibited participation in price fixing; restricting output, "technology, products, markets, . . . customers, . . . construction or expansion of facilities."

Article 5: prohibited participation in associations which controlled the flow of products or materials (internal cartels or monopolies).

Article 6: prohibited participation in international cartels.

Chapter III: Dealt with "substantial disparities in bargaining power."

Article 8: directed that the Fair Trade Commission (FTC) could, when founded, order the transfer of "a part of (the) business facilities" or "take any other necessary measure" to eliminate "disparities in bargaining power" if it was not based upon "technological grounds."

Chapter IV: Detailed restrictions on such things as "stock holdings, multiple directorates, mergers and (the) transfer of whole business(es)."





Article 9: prohibited holding companies which were defined as "a company whose principal business is to control, by holding stocks, the business activities of another company."

Article 10: prohibited the acquisition or possession of stock in another company by nonfinancial firms which would restrict competition unless horizontal integration was justified on technological grounds.

Article 10: prohibited the acquisition or possession of stock in another company by nonfinancial firms which would restrict competition unless horizontal integration was justified on technological grounds.

Article 11: prohibited financial firms from owning more than 5 percent of the stock of any other single enterprise, either industrial or financial, and also prohibited the purchase of stock in competing firms.

Article 13: prohibited interlocking directorates in competing firms and provided certain other restrictions to noncompeting firms under the same ownership.

Chapter V: Dealt with "unfair methods of competition."

Chapter VI: Dealt with exemptions to the law.

Chapter VIII: Set up the Fair Trade Commission (FTC).

Chapter IX: Dealt with court appeals from FTC rulings.

Chapter X: Provided for penalties.



### APPENDIX III

#### FACTORS WITHIN THE DECONCENTRATION LAW TO BE USED FOR DETERMINATION OF EXCESSIVE CONCENTRATIONS

1. Percentage of amount of production or other economic activity . . . to the total production capacity or total amount of other economic activity.
2. Comparison of present production capacity in Japan proper with maximum capacity in Japan proper on or prior to June 30, 1937, of any enterprise.
3. Comparison of percentage of present production capacity or amount of other economic activity . . . of any enterprise to the total production capacity or total amount of other economic activity . . . in the respective field of activity.
4. Relationship of control over other enterprises.
5. The number, location and other geographic conditions of plants operated by any enterprise.
6. Whether plants are inter-related in productive processes and extent of such interrelation in use of raw materials, products produced or in markets for products.
7. Control of raw materials by any enterprise.
8. History of expansion of business activity by means of merger of independent enterprise or other means.
9. Comparison of the efficiency of production of any enterprise with the efficiency of its separated parts or combination of separate parts.
10. Participation of any enterprise in or the existence of any arrangement . . . which provides for special privileges in the purchase or sale of materials, restrictions upon production or distribution, fixing prices, restrictions upon business or sales areas, or the exclusive exchange of patents or technical information.
11. Control over substantial business activity operated by individuals or members of family.



## BIBLIOGRAPHY

### Books

- Allen, George C. Japan's Economic Expansion. London: Oxford University Press, 1965.
- \_\_\_\_\_. Japanese Industry; Its Recent Development and Present Condition. New York: Haddon Craftsmen, Inc., 1940.
- Bisson, Thomas A. Japan's War Economy. New York: The Comet Press, Inc., 1945.
- \_\_\_\_\_. Zaibatsu Dissolution in Japan. Berkeley: University of California Press, 1954.
- Broadbridge, Seymour A. Industrial Dualism in Japan. Chicago: Aldine Publishing Co., 1966.
- Bureau of Statistics, Office of the Prime Minister. Statistical Handbook of Japan, 1967. Tokyo: Bureau of Statistics, 1967.
- Cohen, Jerome B. Japan's Economy in War and Reconstruction. Minneapolis: University of Minnesota Press, 1949.
- \_\_\_\_\_. Japan's Postwar Economy. Bloomington: Indiana University Press, 1958.
- Cole, Allan B. Japanese Society and Politics. Boston University Studies in Political Science No. 1. Boston: The Graduate School of Boston University, 1956.
- Fearey, Robert A. The Occupation of Japan--Second Phase, 1948-50. New York: The Macmillan Co., 1950.
- Hadley, Eleanor M. Antitrust in Japan. Princeton, N. J.: Princeton University Press, 1969.
- \_\_\_\_\_. Concentrated Business Power in Japan. Unpublished Ph.D. dissertation, Radcliffe College, 1949.
- Hoshii, Iwao. Japan's Business Concentration. Philadelphia: Orient/West, Publishers, 1969.



- Keidanren (Federation of Economic Organizations). Economic Picture of Japan, 1968. Tokyo: Keidanren, 1968.
- Kokoris, James A. "The Ohara Zaibatsu of Okayama." Center for Japanese Studies, Occasional Papers, No. 8--  
Studies on Economic Life in Japan. Edited by Richard K. Beardsley. Ann Arbor, Michigan: University of Michigan Press, 1964.
- Komiya, Ryutaro, ed. Postwar Economic Growth in Japan; Selected Papers of the First Conference of the Tokyo Economic Research Center. Translated by Robert S. Ozaki. Berkeley: University of California Press, 1966.
- Lockwood, William W., ed. The State and Economic Enterprise in Japan. Princeton, N. J.: Princeton University Press, 1965.
- Ministry of Foreign Affairs, Japan. Statistical Survey of Economy of Japan 1966-1967-1968. Tokyo: Ministry of Foreign Affairs, 1966, 1967 and 1968, respectively.
- Pauley, Edwin W. Report on Japanese Reparations to the President of the United States; November 1945 to April 1946. Department of State Publication 3174, Far Eastern Series 25. Washington, D. C.: Government Printing Office, 1946.
- Reischauer, Edwin O. Japan Past and Present. 3rd ed. New York: Alfred A. Knoff, 1964.
- Roth, Andrew. Dilemma in Japan. Boston: Little, Brown and Company, 1945.
- Shelton, Charles D. The Rise of the Merchant Class in Tokugawa Japan 1600-1868. Locust Valley, N. Y.: J. J. Augustin, Inc., Publisher, 1958.
- Smith, Thomas C. Political Change and Industrial Development in Japan; Government Enterprise, 1868-1880. Stanford, Calif.: Stanford University Press, 1955.
- Supreme Commander of the Allied Powers. Summation No. 1 of the Non-Military Activities of the Allies in Japan and Korea, September-October, 1945. Tokyo: SCAP Headquarters, 1946. (Mimeographed)
- . Two Years of Occupation--Economic, Political and Social. Tokyo: SCAP Headquarters, 1947. (Mimeographed)





U. S. Department of State. Background Notes--Japan.  
Department of State Publication 7770. Revised  
September 1969. Washington, D. C.: Government Printing  
Office, 1969.

Occupation of Japan: Policies and Progress.  
Department of State Publication 3174, Far Eastern Series  
17. Washington, D. C.: Government Printing Office,  
1946.

U. S. Department of the Army. U. S. Army Area Handbook for  
Japan. 2nd ed. Washington, D. C.: Government Printing  
Office, 1964.

Yamamura, Koza. Economic Policy in Postwar Japan. Berkeley:  
University of California Press, 1967.

Yanaga, Chitoshi. Big Business in Japanese Politics. New  
Haven, Conn.: Yale University Press, 1968.

Magazine Articles, Journals, Newspapers, Encyclopedia

"A Trustworthy Japan." Amerasia, VIII (December, 1944), 339-  
348.

"Are We Winning the Peace in Japan?" Amerasia, X (February,  
1946), 43-71.

"Bank Affiliations Under Reorganization." The Oriental  
Economist (October, 1968), 14-19.

"Big Business in Japan." The Oriental Economist (October,  
1968), 20-29.

"Biggest in a Land of Giants." Business Week, June 8, 1963,  
52-59.

Bisson, Thomas A. "Increase of Zaibatsu Predominance in  
Wartime Japan." Journal of Pacific Affairs, XVIII  
(March, 1945), 55-61.

"Japan as a Political Organism." Journal of Pacific  
Affairs, XVII (December, 1944), 392-420.

"The Economic Purge in Japan." Journal of Asian  
Studies, XII (May, 1953), 279-300.

Edwards, Corwin D. "The Dissolution of the Japanese Combines."  
Journal of Pacific Affairs, XIX (September, 1946), 227-  
240.



- "Ersatz Democracy for Japan." Amerasia, X (October, 1946), 111-124.
- Gibney, Frank. "Japan, New Face of World Power." Look Magazine, October 21, 1969, pp. 28-29.
- "Hitachi Group." The Oriental Economist (March, 1968), 24-27.
- Industrial Bank of Japan, Ltd. Survey of Japanese Finance and Industry, July-September, 1963 and January-March, 1965. Tokyo: The Bank, 1963 and 1965, respectively.
- "Industry Position of Foreign-Affiliated Enterprises." The Oriental Economist (January, 1969), 9-14.
- "Industry Trend Toward Oligopoly." The Oriental Economist (June, 1968), 9-14.
- "Japan: The Economy." Encyclopedia Americana. Vol. XV. 1969.
- "Japanese Banks in International Economy." The Oriental Economist (May, 1969), 9-14.
- "Japan's Industrial Reorganization." The Oriental Economist (October, 1969), 8-13.
- Macrae, Norman. "The Risen Sun." The Economist, May 27, 1967, 9-33.
- "The Risen Sun II." The Economist, June 3, 1967, 7-29.
- "Matsushita Group." The Oriental Economist (March, 1968) 28-31.
- Nemoto, Shiro. "Keen Rivalry, Japan Times Weekly, IX, No. 32 (August 9, 1969), p. 8.
- "New Industrial Groups--Toshiba Group." The Oriental Economist (March, 1968), 19-23.
- "New Industrial Groups--Toyota Group." The Oriental Economist, (February, 1968), 22-26.
- "New Spark at the 'GE of Japan.'" Business Week, February 11, 1969, 123-130.
- New York Times. "Japan's Industry Shows Efficiency," July 5, 1950.
- "Nissan Group." The Oriental Economist (February, 1968), 27-30.



- Ratcliff, J. D. "Everything is Mitsui's Business." Reader's Digest, October, 1966, 255-258.
- Rotwein, Eugene. "Economic Concentration and Monopoly in Japan." Journal of Political Economy, LXXII (June, 1964), 262-277.
- "Sources of Japan's Economic Growth Potential." The Oriental Economist, (February, 1969), 25-30.
- Takeyama, Yasuo. "Big Industry Loosening its Banking Ties." Successo (International Edition), (August, 1969), 80-82.
- "The Conglomerate Way of Life in Japan." U. S. News and World Report, June 2, 1969, 92-93.
- "The Mitsubishi Octopus." Successo (International Edition) (August, 1969), 77-78.
- "The Multicompanies: Conglomerate, Agglomerate and In-Between." Forbes, January 1, 1969, 77-86.
- "The Japanese Industries." Successo (International Edition) (August, 1969), 83-99.
- "The Sharp Side of the Rising Sun." Business Week, September 6, 1969. 124-126.
- "Trading Houses in Japan." The Oriental Economist (January, 1969), 23-45.
- Washington Post. "U. S. Faces Japan's Economic Muscle." February 1, 1970.
- \_\_\_\_\_. "Japan Arms Makers Push Buildup." November 7, 1969.
- Ways, Max. "Why Japan's Growth is Different." Fortune Magazine, November 1967, 126-127, 246-266.



Thesis  
S572

Smellow

118121

Zaibatsu: a study  
of Japanese combines  
yesterday and today.

21 JUL 70  
20 JUL 84

DISPLAY  
33006

Thesis  
S572

Smellow

118121

Zaibatsu: a study  
of Japanese combines  
yesterday and today.



Zaibatsu



3 2768 002 00876 5

DUDLEY KNOX LIBRARY

T

Γ